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**秦福**公司 (1871年)

# FINANCIAL TIMES





Exiles in orbit EU's flawed

refugee policy



**Modern alchemist** 

Turning sewage into cash



Today's survey

Unilever

writes off

**\$88m** for

detergent

By Roderick Oram in London and

Ronald van de Krol in Rotterdam

Unilever's debacle last year over

its Power detergents was "the greatest marketing setback

we've seen," Sir Michael Perry, chalrman of its UK arm, said

yesterday as he annoonced a £57m (\$88.4m) stock write-off.

The write-off, which attempts

to close an nnhappy chapter in the history of the consumer

goods group, includes surplus

detergent stock, ingredients and

packaging.
"The lessons have been learned and internal processes

reviewed," Sir Michael said at a

London press cooference, "The

quest for lunovation and technologies will not be deterred by this

Analysts pointed ont that Uni-

lever was also taking a £42m

extraordinary charge to restruc-

ture its detergents husiness in addition to the write-down of

The charges were symptomatic

of the continuing problems Uni-lever has with detergents, one of

its core businesses, said Mr

David Lang, an analyst with Henderson Crosthwaite.

"In the US and Europe they

barely broke even after these

charges on almost £1.7bn of

experience."

stock.

debacle

WEDNESDAY FEBRUARY 22 1995

#### Fleet Financial in \$3.4bn deal to buy Shawmut

Fleet Financial, the US banking group based in Rhode Island, announced a \$3.4bn all-share acquisi-tion which would catapult it into the ranks of the country's 10 higgest commercial banks. The planned takeover of Shawmut National, based in New England, would be one of the biggest regional banking acquisitions mounted in the US, creating an entity with assets of \$81bn. Page 21; Lex, Page 20. Page 200. 20; Background, Page 22

Bank governor warns on Emu: Bank of England governor Eddie George warned of the "economic risks in seeking to go too far or too fast" towards economic and monetary union in Europe. Page 20; Jobs as key to future of Emu, Page 2

End of financial rand signalled: South Africa's Reserve Bank governor Chris Stals said the economic conditions needed to abolisb South Africa's two-tier exchange rate were in place and the abolition of the financial rand was now a matter of "political discretion". Page 20 and Lex

NatWest seeks US acquisition: National Westminster Bank of the UK may expand its investment banking operations through acquisition in the US or elsewhere, it said as it disclosed flat operating income and a 4.5 per cent rise in expenses. Page 21; Lex, Page 20

Coffee prices exceed \$3,000 a tonne Coffee futures prices rose

Coffee 2nd position futures 4,500 4,000 3,500 3,000 2.500 2.000 1,500 1,000

attracted fund buyers back into the market, The May position closed \$54 higher at \$3,013, supported by a strong New York arabica market, leaving it 5.4 per cent up so far this week. The Londou market has risen 16 per cent in the past two weeks, but it is still more than \$1,000 a tonne below last year's peaks.

through \$3,000 a tonne in

London, their highest

level this year, as con-

cern about dry weather

in Colombia and a short-age of robusta supplies

Commodities, Page 29 Germany faces Inflationary pressure: Inflationary pressures and the risk of higher interest rates are growing in Germany as business confidence rises to peaks not seen since the unification boom of 1991, the Bundesbank says it its latest eco-

nomic review. Page 20 PolyGram chief attacks piracy: Alain Levy, president and chief executive of London-based music and film group PolyGram, said musical piracy was "a serious problem" which had held back the group's growth in the Far East. Page 21

Daiwa cuts staff in Europe: Daiwa Europe, London-based subsidiary of Japanese broker Daiwa Securities, cut its staff of some 440 by about 10 per cent, mostly in its London office, after a review and restructuring of its European operations. Page 28

UK opens repo market in gifts: The UK Treasury announced that all participants in the British government bond market are to be allowed to borrow and lend bonds. Page 20

Nuclear waste shipment bound for Japan: The first shipment of high-level radioactive waste from reprocessing fuel rods is due to leave Cherbourg for Japan tomorrow. British Nuclear Fuels won an injunction in France to restrict potential disruption by Greenpeace, the environmental group. Page 6

Indonesia's high-tech projects in trouble: Indonesia's minister for research and technology said several of the country's high-tech projects, including the state-owned aircraft company IPTN, are incurring losses and should be closed if they are not granted export credits. Page 4

Karen quit border stronghold: Karen guerrillas, the most powerful opponents of the military regime in Rangoon, withdrew from their last main stronghold on the Thai-Burmese border after an intense Burmese army artillery barrage.

GRE raises profits and cuts jobs: Composite UK insurer Guardian Royal Exchange reported an unexpectedly steep profits rise, but announced 500 job cuts and warned that more a selective approach to risks could trim future premium income. Page 28; Lex, Page 26

World unemployment reaches 30%: Thirty per cent of the world's workforce – some 820m people – are unemployed or under-employed, the International Labour Organisation said. Page 4

	I = corp
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Washington finance package aimed at ending two-month-old crisis

# \$20bn US aid deal for Mexico

By George Graham in Washing-ton, Lestie Crawford in Mexico City and Stephen Fidler in

The US and Mexico yesterday signed an accord detailing the terms and conditions of a \$20bn US financing package aimed at lifting Mexico out of a twomonth-old financial crisis.

The accord - made up of four separate agreements - means the US will be able to provide Mexico with up to \$10bn in stages between now and the end of June, with \$3bn immediately

A further \$10bn would be available from July onwards, subject to Mexico's meeting its economic and other commitments. A US statement said it was expected that the second \$10bn would be undrawn but available for contingencies "including any related to the banking system".

The agreement - signed in Washington by Mr Robert Rubin, the US treasury secretary, and Mr Guillermo Ortiz, Mexico's fmance minister - was described as "both a financial transaction and an act of diplomacy" by Mr Frank Newman, the US deputy

treasury secretary.
However, the initial financial market reaction to the announcement was negative, with investors complaining that it contained little new. The peso weakened to 5.575 to the dollar in the early afternoon - against 5.565 on Monday's close - having been significantly higher in ear-lier trading. Mexico City's stock market continued to decline, falling 3.74 per cent by midday. The package - part of a \$50bn credit line which also includes finance from the International Monetary Fund and foreign central banks -

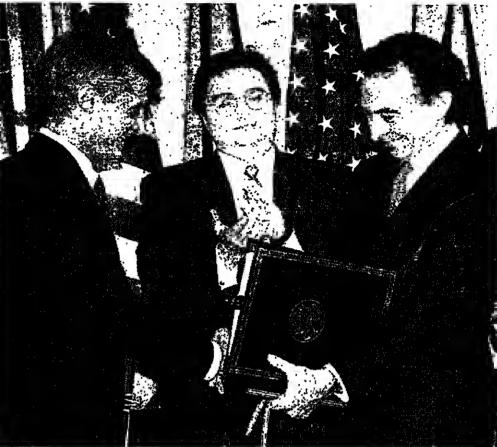
It comprises short-term cur-rency awaps of less than one year; medium-term currency swaps of three to five years, and loan guarantees - of up to 10 years - to allow Mexico to restructure its short-term dollar debts with longer-term instru-ments. The first issua of Mexican bonds guaranteed by the US gov-ernment is expected in the sec-

ond quarter.
Some of the funds would go to reduce further the amount of tesobonos - short-term dollar-denominated government debt which has already fallen this year from almost \$30bn to less than \$20bn, Mexico's finance ministry said.

The US security for the credits will be oil revenues from the exports by the state petroleum monopoly, Pemex. Pemex will instruct foreign customers to pay for oil into an account at a US commercial bank, that will transfer funds to a Mexican central bank account at the New York Federal Reserve Bank,

So long as Mexico is current on its obligations, the money will be freely available for use by the central bank. But if Mexico fails to repay the US, the US Treasury will be entitled to set off its claims against the Bank of Mexico account. The Mexican finance ministry

emphasised the accord gave the US no say over Mexican oil export policy. Mr Ortiz said the oil conditions were no different to those in previous finan-



Treasury Secretary Robert Rubin (Left) shakes hands with Mexican finance minister Guillermo Ortiz,

Mexico will initially pay interest charges based on 91-day US Treasury Bill rates plus a risk premium of 2.25 to 3.75 percentage points. The guarantees are to be priced on a similar basis. Fees would rise with greater use of the

financing to encourage Mexico to seek regular private sources of finance, US officials said.

The central bank on Monday announced a 10 percentage point rise in interest rates to over 47 per cent. Economists said this

was part of an attempt to build up the country's depleted foreign exchange reserves, since the financing package could not be used to finance the current account deficit but only to restructure

money taking place.

government ministers.

Belgium has been shocked by

the Agusta affair which last year

prompted the resignation of three

laundry detergent sales," Mr Lang estimated. "They have to rebuild sales volume and lower their overheads." But with detergents worldwide only accounting for a fifth of the group's activity, it was able to announce a 4 per cent rise in

before exceptionals on sales np 6 per cent at £29.7bn.
After launching Persil Power in the UK and Omo Power in mainland Europe last spring, Unilever discovered that its con-troversial manganese catalyst not know about the exchanges of

reacted adversely to a small range of dark dyes. In extreme cases, garments were faded and weakened by the catalyst. Procter & Gamble, Unilever's

US rival, campaigned energetically against the product. Unilever reformulated the high technology product with a reduced

Continued on Page 20

#### commissioner's home Police search EU

By Emma Tucker in Brussels

Van Miert denies involvement in Belgian government bribery scandal

Belgian police have searched the offices and home of Mr Karel Van Miert, the European commissioner responsible for competition policy and one of Belgium's hest-known politicians.

They were looking for evidence in connection with a bribery scandal that has shocked the fragile four-party coalition held together by Mr Jean-Luc Dehaene, the Christian Democrat prime minister, and focused unwelcome attention on two of the country's most prominent

international figures.

Mr Willy Claes, secretarygeneral of Nato, has also been named in connection with the alleged bribery affair. Mr Claes

minister in 1988 when BFr50m (\$1.6m) was allegedly paid to Socialist politicians by Agusta, the Italian defence manufacturer, to secure a government contract for 46 helicopters. Mr Van Miert was leader of the Flemish social-

was Belgium's economic affairs

ist party.
Mr Claes has denied any involvement and played down the matter at a regular meeting of Nato ambassadors yesterday.

Before the Belgian authorities can insist on questioning him, his diplomatic immunity would have to be lifted. It was reported yesterday that he would consult his lawyers before deciding

whether to open his offices and homes to a search. Mr Van Miert said he had nothing to hide and denied any wrongdoing.

He chose not to exercise his diplomatic immunity as a European commissioner and invited police to search his office. They removed a few addresses

and extracts of bank accounts.

From his home they took mannscripts covering party business when he was party president. Mr Van Miert has been a member of the Commission since 1989. Yesterday he said he had vacated the post of Socialist party president by the time the money was

alleged to have been paid. "I have understood that if there really were payments or if money was paid, it would have been in 1989." he told a radio interviewer.

Mr Jacques Santer, the Commission president, said he had confidence in Mr Van Miert. Last night, lawyers represent-ing Mr Etienne Mangé - head of the post office and arrested ear-

Discomfort for the government was increased yesterday with the news that a Belgian health inspector who was investigating a so-called animal hormone mafia lier this week in relation to the was sbot dead late on Monaffair - said Mr Van Miert did

Lex, Page 20

### Bank of Italy raises rates to prop up weakening lira

The Bank of Italy, the central bank, was last night obliged to raise the discount rate by 0.75 of a percentage point to 8.25 per cant to prop up an ever-

The Bank of Italy's move fol-lowed a day in which the lira had fallen to historic lows against all major currencies with the exception of the dollar and sterling. The interest rates rise, the first since August 11, will have an immediate impact on the minibudget of Mr Lamberto Dini, the prime minister, which is in the final stages of preparation and due to be announced by Friday.

percentage point rate rise in the discount rate adds an extra L15,000bn (\$9.4bn) to the annual interest rate bill on Italy's huge mountain of public debt. The need for the mini-budget of L20,000bn to hold down the 1995 budget deficit to 8 per cent of GDP results largely from the extra cost of debt service from

Economists estimate thet each

the previous discount rate rise. Yesterday the lira fell to L1,095 against the DM from Monday's L1,083. Over the past week the

Asia-Pacific News ..... American News ...... World Trade News ....



Lamberto Dini: his forthcoming mini-budget will be affected

lira has fallen 3.3 per cent against the German currency and at least three separate interventions by the Bank of Italy have failed to prevent the decline.

The markets have reacted neg-atively to continuing uncertainties about political support for the government's budgetary plans, which are not yet fully known. The lira has also been affected by a knock-on effect

from the peso crisis. But yester-day a new element emerged in the form of fears about a return of inflation. Preliminary figures for consumer prices in Italy's major cities for February showed a jump in the annualised rate of inflation from 3.8 per cent to 4.3 per cent

Although these figures always differ slightly from those released subsequently by Istat, the state statistics institute, the differences are never great. The sharp rise in February,

specially notable in the city of Bologna, was attributed to increases in the cost of utilities and transport. But imported inflation caused by a weakening lira also contributed to the rise.

The Bank of Italy's defensive move last night came without warning. But Mr Antonio Fazio, the governor, has frequently warned that he would be obliged to raise the discount rate to defend the currency.

Mr Dini has pledged to come up with full details of his budgetary measures by the end of the week.

Bonds, Page 30; Currencies Page 31; World stocks, Back Page Section Two

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### Ukraine at odds with IMF over deal

By Matthew Kaminski in Klev

An International Monetary Fund mission left Kiev yester-day without agreeing a \$1.3bn stand-by agreement because of Ukraine's reluctance to liberal-

ise its export laws. But an IMF official was "optimistic" that the issue could be resolved in time for Ukraine to mobilise external financing support at a donors' meeting in Paris on March 21. Last antumu Ukraine removed quotas and licences, only to replace them with a cumbersome export registra-

Last month it also proposed to prohibitively tax barter trade and put other goods besides grain on the quota

restrictions list. Unlike Russia, also involved in stand-by talks with the IMF. Ukraine does not have the entreuched oil and gas interests opposed to free exports. The resistance appears to be centred within the ministry of foreign economic relations, headed by Mr Osyka.

In Ukraine, trade restrictions are justified by the need to prevent the country falling foul of anti-dumpiog rules and to curtail capital flight approaching \$15bn via barter

Bot the export regime underwines Ukraine's efforts to earn hard currency on its own, just when western governments are being asked to cover an external financing gap approaching \$5hn this

Mr Anders Asland, economic adviser to the Ukrainian government, said the proposal to undercut barter trade might slasb exports by 30 per cent liquidity to trade by other

Mr Anreas Gummich, vice president at Dentsche Bank Research, which five years ago said Ukraine had the most potential of any Soviet repubbc, also noted the depressed country - once a large consumer goods supplier - is losing market shares in central European and former Soviet states by the day. He added that export liberal-

isation is needed to boost foreign direct investment above the paltry \$366.9m and raise the ratio of exports to GDP above 10 per cent, which will improve the country's ability

The other crucial issue, the budget, was provisionally approved with the IMF. Ukraine agreed to cut the deficent covered by inflationary means. The revenue side was set early this year and expenditures came broadly in line last week.

Bot a final version must clear the cabinet, replete with recalcitrant ministers, and pass parliament. Some western economists remain sceptical on whether the spending needs of Ukraine's vested lobbies, mainly agriculture, can be

Parliament last week approved a 10m toune state grain order and earlier released 25.000bn karbovanets (3214m) from the budget after two months of monetary rectitude, beightening concern that sector-specific emissions could

again stoke inflation. "Ukraine is at a critical juncture on these two issues," a western economist said.

"The decision must come from the top. Trade is the toughest. It's really a question of who has President KnchUK central bank governor doubts whether economic convergence can last

# George sees jobs as key to Emu

Although this structural ele-

ment in unemployment was

being dealt with through

national policies and other

measures "it will not easily go

By Peter Norman **Economics Editor** 

Mr Eddie George, the governor of the Bank of England, yesterday spelled out in detail his concerns that high unemployment in some European Union countries could lead to political and economic disharmony in a continent that is aspiring to establish economic and mon-

Although the governor's "Churchill Memorial Lecture" at the JP Pescatore Foundation in Luxembourg was cau-tiously phrased, he did not conceal his scepticism about a rapid move to Emu.

In particular, he expressed doubt over whether economic convergence, the pre-condition for monetary union, could be sustained in view of the high levels of structural loyment in parts of the

He noted that among the

ment rates at the end of last year ranged from 6 per cent in he western part of Germany through 9 per cent in the UK to respectively 11% per cent and 12 per cent in France and Italy and 23 per cent in Spain.

away", Mr George warned. Mr George said it was possiin part, Europe's unemploy-'We should be confident that convergence is real and that it is sustainable before moving forward'

ment problem was cyclical although it was impossible to know how much in any particular country. This alone, he said, made the Maastricht treaty's convergence criteria, which specify low inflation, deficit and debt levels for asplrants to Emu, more difficult to interpret. Bot much of tha present unemployment was more fundamental" and "unlikely to be eroded

of "real convergence" between some countries that would reduce the risk of tensions in a monetary union. But because prospects were so uncertain, it was difficult to know whether "nominal convergence" as defined by the Maastricht criteria would he sustainable, even if those criteria were rig-orously applied.

"Given the uncertainty, it

ferences in structural unemployment levels will ultimately require adjustments in relative real wages," Mr George said. "And given the real-world inflexibility of nominal wages, it cannot be ruled out that there will be a continuing need for exchange rate adjustment to help to bring that about".

Mr George said he was not suggesting that the Maastricht criteria should be changed. But was important that "we should be confident that con-vergence is real and that it is sustainable before moving for-

If the decision to go ahead with a monetary union were "fudged", the costs could be substantial. Mr George's caution about a rush to Emu is shared by some other EU central bankers, notably Mr Hans Tietmeyer, the Bundesbank

The governor also pointed out last night that the planned

European central bank would have to set its monetary policy to maintain price stability in the monetary union as a whole. In the absence of exchange rate changes, there would be only two adjustment mechanisms to avoid long-term stagnation and unemployment in parts of the union that had not converged in a sustainable

These would be migration from areas of high unemployment to those of lower unemployment or larger fiscal transfers from countries with lower unemployment to countries where unemployment was higher. "Neither of these possi-bilities is particularly attrac-tive," he said.

Outlining the grim outcome of a premature union, he said: "Either long-term stagnation in some countries or the rapid expansion of these adjustment mechanisms could become a source of political as well as

#### by the present cyclical expan- cannot be excluded that resolularger EU countries, unemploy-G7 seeks right road to superhighway

By Emma Tucker in Brussels and Alan Cane in London

Business leaders, politicians and technology manufacturers are meeting in Brussels this weekend to discuss the global information superhighway. The talks will be accompanied by a display from the industry, showing the technology that will make it possible.

The information superhighway is a communications network capable of delivering a broad range of informationbased services - text, graphics, video - to the home and office in an interactive manner.

While the meeting will be "a bit of a jamboree" according to one minister, it is also seen as an opportunity to make the public more aware of the possibilities springing from the impending explosion in on-line

Hosted by the European Commission, it will bring together ministers and business leaders from the Group of Seven industrialised countries. The speakers will include Mr Al Gore, US vice president, who is identified with the US commitment to establishing a national superhighway.

It is an advisory meeting rather than one which will end in binding resolutions. The aim, however, is to ensure that Europe, Japan, the US and Canada are working from the same blueprint for a global information society.



European Commission president Jacques Santer speaking yesterday about the superhighway

Mr Jacques Santer, EC president, warned yesterday however that the European Union where basic telecoms services will not be fully bberalised until 1998 - had to ensure that it did not fall behind Its competitors: "Europeans must be the drivers, designers, the constructors, content provid-

the Globel Information Society and not technology 'hitchhikers' in the wrong galaxy," he

Mr Martin Bangemann, the industry commissioner, has led a dogged campaign to speed up the liberalisation of Europe's telecoms services and infra-

ers, repairers and financiers of structures which remain largely under state control. Yesterday, Mr Santer kept up the pressure. He said the

decision to liberalise EU telecoms and infrastructure in 1998 was a "necessary but not sufficient step".

"I hope the G7 conference will highlight the other to be completed in order to

and security.

There are concerns, for

Neither the politicians nor the industrialists are underestimating the difficulties, however. Mr Lucio Stanca, chair-man of IBM Europe, warned this week that an unprecedented level of partnership between the public and private sector will be required if the benefits of a true information society are to be realised.

Mr Ian Taylor, UK informa-

#### achieve the objective of a global information society." aid Mr Santer.

Many in Brussels fear, however, that the meeting will amount to little more than a showcase for private industry's new products. They complain it will not tackle the difficult issues essential to a common approach to the information superhighway such as the interconnection of systems, the application of rules to prevent nti-competitive behaviour and the sensitive areas of privacy

example, that free trade, deregulation and competition are not sufficient in themselves to deal with difficult issues such as education in the new technologies and the dan-ger of a gap between the devel-oped and developing countries.

tion technology minister, said he boped the discussions would concentrate on how to use superhighways to benefit business and the community.

# Kinkel urges EU to bury its doubts

By Michael Lindemann in Bonn

Mr Klaus Kinkel, the German foreign minister, yesterday launched himself into the debate about the future of Europe, demanding that members of the European Union look beyond the "garden fence of their national idylls". Using strong language sure to arouse sharp reactions in Britain and France. be called for a "comprehensive renewal" of the EU institutions, including majority voting on foreign policy issues, and more powers for the European parliament.

He also demanded further moves to develop Europea, the European police co-operation agency, criticising national opposition to the project. "Jealousy between national security authorities and the paper tiger argument of sover-eignty are proof of blinkered thinking, rather than of the capability to effectively combat cross-border crime," he

His declaration was issued as a defini-

Germany's governing coalition yesterday failed again to reach agreement on bow to subsidise the loss-making coal industry, writes Judy Dempsey in Berlin. It is divided over whether the DM7bn (\$4.5bn) in subsidies next year can be raised through savings from the budget or from an energy tax. The coalition also failed through savings from the budget or from an energy tax. The coalition also tailed to agree on a proposals to reduce the tax hurden for families, which the opposition Social Democratic party was yesterday quick to criticise. Ms Ingrid Matthaeus-Maler, SPD deputy parliamentary leader, said the minimum tax-free income proposed by the government for poor people was too low and the government had still not set out its proposals for assisting poor families with children. Mr Theo Waigel, finance minister, wants to raise the tax-free minimum income to DM12,095 for single people and DM24,191 for married couples.

agenda for next year's inter-governmental conference (IGC) intended to update the Maastricht treaty.

Mr Kinkel said European companies could only match international competitors if further barriers were removed between the EU's 15 member states. "The debate is about Europe as a business environment," he said

However, the prerequisite for any kind of prosperity is peace, he added, arguing that the only way to give the

tion of the German government's EU an active common foreign policy was to allow majority voting on foreign policy issues - anathema to the British government

In a two-page statement Mr Kinkel also demanded greater powers for the European parliament, a body which the UK has resolutely tried to keep as ineffectual as possible. "We cannot act as if the institutions and mechanisms designed for six member states [in 1955] will function just as well with 15 or more." Mr Kinkel deliberately avoided

the clear-cut language used by Mr Wolfgang Schafible, tha deputy leader of Chancellor Helmut Kohl's Christian Democratic Union who presented a landmark paper on the future of the EU last year, but his analysis reinforces Germany's determination to breathe new life into the process of European Integration

We cannot allow the slowest wagon to determine the speed of the whole convoy," Mr Kinkel said, echolog words used by Mr Schaüble last September when he urged an inner core of five EU members to push ahead with monetary union so that the integration of Europe did not lose its momentum.

His call for further development of Europol amounts to a scarcely veiled attack on the French, who have hitherto resisted transferring significant

powers to the new body. When crime syndicates are driving along the infobahn the village cop on his bicycle will always be on the losing

# French electricity plan heats up EU debate

#### France has provoked concern over competition in a liberalised energy market, report FT writers

Debate over the liberalisation of the European electricity market intensified yesterday with the publication of a study claiming that French proposals would inhibit the development of competition in the rest of the Union.

A report from National Economic Research Associates says France's proposal to create a national body to huy and sell all electricity and pass it on to distributors, allowing competition only between power producers, is at odds with the basic principles of Community law.

"Adopting the single buyer model would make it more difficult to achieve any transition to a competitive system at a later date," the report con-cludes. It could also "allow discrimination in favour of national suppliers or of the single huyer's own generation interests which is contrary to the objectives of the single

The report was commis-

sioned by a group of UK electricity producers, including National Power and PowerGen. It comes just weeks before the publication of results from a separate inquiry by the Euro-pean Commission, which for more than two years has been trying to win a compromise from member states over liber-

alising the market. Brussels last year commissioned the inquiry, dne out early next mouth, into whether the French proposal would offer similar benefits to its own plans to allow power companies access to other countries' transmission systems. Access to the transmission networks would have to be negotiated by companies on an individual basis, but would give customers a choice of power

The commission is also investigating whether the two systems could run in tandem. The UK report found that they were fundamentally incompati-

Britain, which has one of the most competitive electricity industries in the world, has campaigned strongly in favour

of Brussels' proposals.
The commission has also been hacked hy Germany, despite growing concern from industry there, particularly the

distribution in Italy and is France argues that third-party access to transmission networks could endanger security of supply

gas industry, that negotiated access to transmission systems will not be based on reciproc-

Many countries with heavily protected state-owned electricity industries, such as France, argue that allowing third-party access to networks could raise the danger that security of supply would be threatened. There are also fears, particularly in Italy, that large energy users

responsible for 80 per cent of electricity production. Within the past three months, there has been a change in the route Italy is likely to take to a liber-

companies, leaving the

national cumpany with less profitable consumers.

concern in Italy where Enel, the state-owned utility, is

about to be privatised. Enel

dominates transmission and

The Issue is of particular

alised market. Under a compromise forged last year by the Berlusconi government, Enel would have split its production activities from the rest of the group and sold part of its generating capacity within three years of might be picked off by foreign privatisation. A new public France, the French electricity Andrew Jack in Paris

authority would have taken control of "despatching" - regulating the transmission of electricity produced or imported into Italy. Professor Alberto Clò, indus-

try minister in the "technocratic" government which last month succeeded the Berlus-coni administration, argues that adopting competition in supply and generation, as in the UK, could mean Enel would not privatised for three

to five years.

Prof Clò wants a quick sale followed by careful regulation of competition in electricity generation. The change of approach has been criticised by free marketeers, in Italy and Brussels, but the new minister, an expert on the economy of the energy industry, claims the English experience indicates that indiscriminate competition could lead to increased tariffs and problems with secu-

rity of supply. Meanwhile, Electricité de

monopoly, has sharply criticised the findings and working methods of the report commissioned by the British power ntilities

EDF said National Economic Research Associates did not as part of its work consult the individuals or organisations which had developed the "sin-gle huyer" proposal being considered by the European Commission. It said the single buyer sys-

tem developed by EDF was in line with European treaties designed to safeguard the long-term interests of consumers and meet a series of economic objectives.

EDF also stressed that its system helped promote independent energy production and had contributed to France's ability to become one of the most important exporters of electricity in the world. Peggy Hollinger in London, Judy Dempsey in Berlin,

Andrew Hill in Milan and

EUROPEAN NEWS DIGEST

### Irish Steel seeks rescue package

The Irish government is to seek European Commission approval for a ISSOm (\$77m) rescue plan for Irish Steel, the government's loss-making Cork-based steel company, it announced yesterday.

However, the British steel industry has said it will take the issue to the European Court and the British Department of Trade and Industry is understood to be monitoring the development. However, Irish officials expect Brussels to take a sympathetic view of the rescue package, when it is discussed at a council of ministers meeting in April.

Mr Richard Bruton, the Irish enterprise and employment

minister, said the government had given formal endorsement of the rescue plan and approved the company selling shares to a foreign partner as part of the package. Talks are under way with Riva of Italy and North Star of the US. The package includes the provision of a 1520m grant and 1510m in loan guarantees. Irish Steel has made successive losses. The rescue plan, drawn up by the new chairman, Mr Pat Dineen, envisages putting the company back into profit by 1997. The company has already won union backing for labour restructuring. John Murray Brown, Dublin

Bosnia arms embargo 'broken'

The Moslem-led Bosnian army is believed to have received air drops of weapons in flagrant violation of the UN arms embargo, UN officials and diplomats said yesterday. On the nights between February 10 and 12, UN observers in north-eastern Bosnia spotted the flights, including what appeared to be a C-130, a large cargo aircraft, escorted by a fighter jet to Tuzla, the second biggest Bosnian enclave. UN officials said they believed the weapons were dropped by parachute - a technique used mostly by US, UK and French troops. In an another sign of possible outside involvement, US jets were the only ones monitoring airspace at the time. Nato did not report any violations of Bosnian airspace. A UN no-fly zone over Bosnia went into force in October 1992. Since then, more than 5,000 violations by all sides have been reported. The latest incident has sparked another row between the UN and Nato. UN officials, speaking on condition of anonymity, said Nato was trying to cover-up the illicit flights. Nato, on the other hand, has accused the UN of inaccurate reporting. Laura Silber, Beigrade

#### Nato begins exercise in Norway

Exercise "Strong Resolve", Nato's first important oorthern flank military manoeuvres since the end of the cold war, has begun in Norway's Trondelag region, with 30,000 multinational soldiers, 375 aircraft and up to 90 allied and Norwegian ships. The manoeuvres are the first to be launched in Norway since the Nato command headquarters was moved from Oslo to High Wycombe in Britain last year, which prompted fears in Norway that It would be overlooked under the new regime. According to officials, the object of the Strong Resolve exercise is for joint forces from 12 Nato countries to practise all elements of modern operations, including air defence, and amphibious, naval and ground support. In Trondelag, the Strong Resolve "war game" pits "White Land", the enemy, against "Green Land" in which White Land is seeking to gain control over Green Land's resources. Green Land calls for UN and Nato support. On March 1 US, Dutch and British main amphibious landings will be staged, with the exercise being wound up by March 18. Before being reorganised, Nato stages three exercises every two years but has cut back to two exercises, alternating between one small and one large, every two years. Karen Fossli, Oslo

#### Hungarian privatisation chief

The Hungarian government has nominated Mr Tamas Suchman, a prominent Socialist member of parliament, as privatisation minister, ending weeks of wrangling over the new post within the Socialist-Liberal coalition. The Free Democrats, the junior coalition partner, said they did not support Mr Suchman's appointment but had agreed to it to reduce tensions within the comment of the property of the pro within the government. The creation of the post - which comes without a ministry - was the main reason for the resignation last month of Mr Laszlo Bekesi, the reformist finance minister, who said privatisation should remain the responsibility of his ministry. The Free Democrats had held with international business experience. Mr Suchman, a 40year-old lawyer and banker who has been a Socialist MP since 1990, comes to the post from Budapest Bank, a large commercial bank, where he served under Mr Lajos Bokros, who is due to replace Mr Bekesi as finance minister on March 1. Virginia Marsh, Budapest

#### Polish rate rise attacked

Mr Grzegorz Kolodko. Poland's foreign minister, yesterday criticised the decision of the National Bank of Poland (NBP), the central bank, to increase basic interest rates for the first time in three years. Mr Kolodko said the move, which brought the key rediscount rate up from 28 per cent to 31 per cent, would harm investment and hurt the stock market. Yesterday the exchange's main WIG indicator fell by 4.9 per cent. Ms Hanna Gronkiewicz Waltz, the central bank chairman, said on Monday that an unexpectedly high 3.9 per cent inflation rate in January meant interest rates had to be increased to encourage saving. Christopher Bobinski, Poznan

#### Mafia murder trial opens

The trial opened yesterday of 41 people accused of being involved in the assassination of Mr Giovanni Falcone, the leading anti-mafia judge, along with his wife and three bodyguards near Palermo in May 1992. Among those in the dock are Salvatore ("Toto") Riina, the acknowledged boss of Cosa Nostra, the umbrella organisation of the Sicilian maila, who is alleged to have ordered the killing. The murder of Mr Falcone, by detonating a huge remote controlled explosive device under by deconaring a nage remote controlled explosive device under his car as it was leaving Palermo airport, marked a turning point in the state's fight against the mafia. This fight was further emphasised yesterday by the arrest in Catania of Mr Giovanni Cannizzo, a businessman alleged to have been chief banker for the Sicilian mafia. Robert Graham, Rome

**ECONOMIC WATCH** 

#### Richest and poorest EU regions

Twelve regions of the 15 European Union states have a GDP per capita of less than half the EU average, Eurostat reported yesterday. Based on 1992 data, the EU statistical office calculates that no region in Greece or Portugal reaches the EU average and only one does in Spain, the Balearics. Five east German states are also under half the EU average. Seven regions are more than one-and-half times the EU average. Hamburg (196), Brussels (174), Darmstadt (174), the Paris region (169), Vienna (166), Bavaria (157) and Bremen (155). Eurostat also reported yesterday that industrial production in the EU rose by a seasonally adjusted 0.3 per cent in the period September to November 1994 compared with the previous three months. The strongest growth was in Germany (0.7 per cant), the UK (0.5) and France (0.4). Portugal (-0.8), Denmark (-1.2), Greece (-2.1) and Italy (-2.2) suffered a decline in industrial production. Yesterday, France reported thet industrial production rose ahead of expectations by 0.8 per cent in December, driven by a 0.9 per cent increase in manufacturing output. The jump in manufacturing production was down compared with the increase in the previous month of 3.2 per cent, but represented an increase of 10.8 per cent for 1994 year-on-year compared with 1993. Also yesterday it was reported that Sweden's industrial production rose 1.8 per cent in December from November and 15.7 per cent year-on-year. Consumer prices in Sweden rose 0.7 per cent in January and were up 29 per cent in the 12 months to January. ■ Switzerland's trade surplus rose to SFr686.4m (£341.4m) in

January from a revised SFr64.4m surplus in December.

صكذا من الاعل



# over animals

#### By Caroline Southey in Brussels

The French presidency of the EU yesterday tabled complex draft proposals on the trans-port of live animals across the union in a bid to break an 18month deadlock among agricultural ministers.

Mr Jean Puech, French agrifull meeting of the 15 ministers vesterday afternoon to discuss the draft in a final attempt to draw compromises from mem-

Initial reactions suggested the proposals had failed to bridge the gap between north-ern and southern states. A British spokesman said the proposals did not go far enough although they formed the basis for further discussion. "There are too many journeys and they are too long," he

Britain and Germany, under pressure from animal welfare activists, have sought a pan-

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Editor: Richard Lambert, co The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL. European limit in the journey time for live animals.

Southern member states, which are large importers of live animals, expressed reservations about the proposals because the restrictions were too great. "For them the rest periods are too long," a French official said, noting Portugal especially feared curbs because of the long distances from its

prime markets.
The French draft introduced the principle for the first time that conditions for transporting live animals should be tailored for three categories of

Under the proposals, unweaned calves, lambs, kids and piglets would be given a two-hour rest period for watering after eight hours' travel. They could then be transported for another seven hours after which they would have to be unloaded and given milk feed. The same pattern could be repeated once the ani-mals had been rested for 12

Cattle, sheep and goats would have a two-hour rest and he watered after avery eight hours up to a limit of 24 hours' transport. The cycle could be repeated if the animals were unloaded for 12 hours. Pigs would be watered, hut not unloaded, every eight hours up to a limit of 24 hours of transport. This time-period would be extended for pigs travelling in vehicles with airconditioning and automatic watering equipment.

Mr Franz Fischler, EU agricultural commissioner, who has supported France in its efforts to end the deadlock, said he was prepared to take on board the French proposals.

Officials said Mr Puech, who has invested a large amount of political capital in trying to find an agreement, was com-mitted to continue talking to ministers until an agreement was found. Mr Ivan Yates, Irish agriculture minister, backed the compromise because the issue was interfering with Irish meat exports.

# French plan | Tapping case bugs Balladur campaign may end row | The French PM and Pasqua are rattled by phone scandal, writes John Ridding all the evidence control of the scale into alleged corruption at the case into alleged corruption at the case into alleged corruption at the affair has u

dur declared angrily yesterday. But the wire-tapping scandal to which he referred has become a serious concern for the French prime minister, compounding a decline in support and threatening his presidential campaign.

The affair, which centres on a complex probe into fraud and political corruption, has dragged the prime minister and Mr Charles Pasqua, his powerful interior minister, into the political firing line. It comes as a series of polls show a narrowing of the prime minister's is being caught by his principal rivals in the race

for the Elysée. Mr Pasqua, the hluff, tough interior minister, is in many ways the opposite of the urhane Mr Balladur. As a result, he hrings the prime minister charisms on the campaign trail and delivers rightwing and traditional Gaullist supporters. Now, however, Mr Pasqua's intelligence services have helped push the premier into a political storm.

It was at the request of the police forces under Mr Pasqua, that the prime minister's office granted approval to tape the telephone conversations of Mr Jean-Pierre Maréchal, a Paris psychiatrist and father-in-law of Mr Kric Halphen, one of France's best known anti-cor-

ruption judges.
Mr Halphen is heading a

party, focusing on illicit pay-ments for public housing contracts. Mr Didier Schuller, a local Gaullist politician and one of the suspects in the case, told investigators that Mr Marechal was offering him FFr1m (2120,000) to get his son-in-law to drop the case. The police then tapped Mr Marechal's telephone, arresting the doctor last December at Charles de Gaulle airport as he accepted a box containing

money from Mr Schuller.

The sensitivity of the case is

partly related to the political nature of the corruption investigation. Lawyers involved in the so-called "Maréchal-Schuller affair" believe police sympathisers of the RPR party were seeking to discredit Mr removed from the case. The investigation into the RPR party would then have been delayed until after the presidential poll to allow for the appointment a new magistrate. But it is the management and legality of the telephone tapping which has prompted the political drama. Earlier this month, a court dismissed the evidence against Mr Mare-chal and ruled the bugging was flegal. But as recently as Sunday, Mr Balladur defended the tapping, claiming that the procedures had been regular and

Such claims, however, came



How Le Monde saw it: Mitterrand, left, and Pasqua get their wires crossed to the annoyance of Marianne, symbol of the French republic

under immediate fire. The head of the watchdog commit-tee which monitors telephone tapping stated that, under a 1991 law, emergency hugging procedures in extortion cases are legitimate only if organised crime gangs are involved. Rivals from across the political spectrum weighed into the

Mr Balladur bastily backtracked. Aides sought to deflect responsibility, claiming they had been misled by police who had indicated that an organised gang was behind the alleged extortion attempt. Emergency surveillance procedures were suspended. The police chief responsible for the operation resigned.

But damage has been done.

The events suggest confusion within the government at best and some pretty murky deeds at worst," said one political commentator. He added that the affair was a particular hlow for Mr Balladur because he had strived to remain aloof from a series of corruption scandals which have rocked French husiness and politics over the

Some observers suggested the arcane nature of the case might limit the political cost and voters might be unmoved.

and more pragmatic when it comes to scandals," said an

But political opponents seized on the issue. "It is a serious affair hecause it reaches right to the prime minister by way of the interior minister," said Mr Henri Emmanuelli, the leader of the Socialist party. The Socialists and the extreme right National Front said Mr Pasqua should resign if he was found respon-

sible for malpractice. Mr Balladur came to Mr Pas-qua's defence. "He is a very good minister who has my confidence," said Mr Balladur. But

refusal to divulge details over secret into revealing state secrets

all the evidence concerning the

The affair has undermined Mr Pasqua's hopes of being should Mr Balladur win the election in the spring. It may yet prompt a rift between the prime minister and one of his key allies in the contest.

The French press was forthright. "Balladur: how to get rid of Pasqua," said Libération, the left-wing daily, in a head-

Describing the issue as an administrative problem, not an counter-attacked. He claimed that an on-going probe into wire-tapping by Elysée officials sented a better comparison with Watergate. Last year, the French judiciary opened an investigation into aides of Socialist President François Mitterrand who are suspected of organising wire-tap surveillance of politicians, journalists and lawyers in the

mid-1980s. In a hizarre twist on Monday, the daily Le Monde reported that officials in Mr Pasqua's office had their telephones tapped before the 1986 general

The interior minister, now on the other side of the fence, is seeking to play down the issue. "These are little petty events," he said while attending a campaign rally in Marseilles. It is unlikely that Mr

# Spanish court overturns ruling on secret funds

#### By Tom Burns in Madrid

Spain's supreme court has delivered a blow to Prime Minister Felipe Gonzalex's government by forcing officials to reveal whether secret interior ministry accounts were used to fund a covert anti-terrorist war fought by mercenary death squads in the mid-

The decision by three senior Madrid judges will allow further investigation into the 'dirty war'. Investigating magistrates have already remanded in custody several top former officials in connection with the case.

Mr Alfredo Pérez Rubalcaba, cabi-net spokesman, denied yesterday that the supreme court's judgment could

prompt a government crists and the court has placed a potent judicial ruling socialist party, backed by its weapon in the hands of Judge Baltaruling socialist party, backed by its Basque and Catalan nationalist party allies, resisted an opposition demand for Mr González to answer questions about the issue in parliament today.

The ruling, however, will trouble the administration. The supreme court created a new jurisprudence by ruling that officials are required to give evidence on secret funds payments when an investigating court has reason to believe such funds were used in pursuit of criminal activities.

Officials will no longer be able to cite reasons of state security when refusing to answer court questions on secret payments to GAL. By overruling previous judgments, the supreme sar Garzón as he investigates the government's alleged connection to Gal, the name given the death squad. Attempts by Judge Garzón to link

The ruling was contained in the supreme court's rejection of an action brought against Judge Garzón hy Mr Rafael Vera, director-general of state

Government officials will no longer be able to cite reasons of state security when refusing to answer court questions on secret payments to GAL

funds.

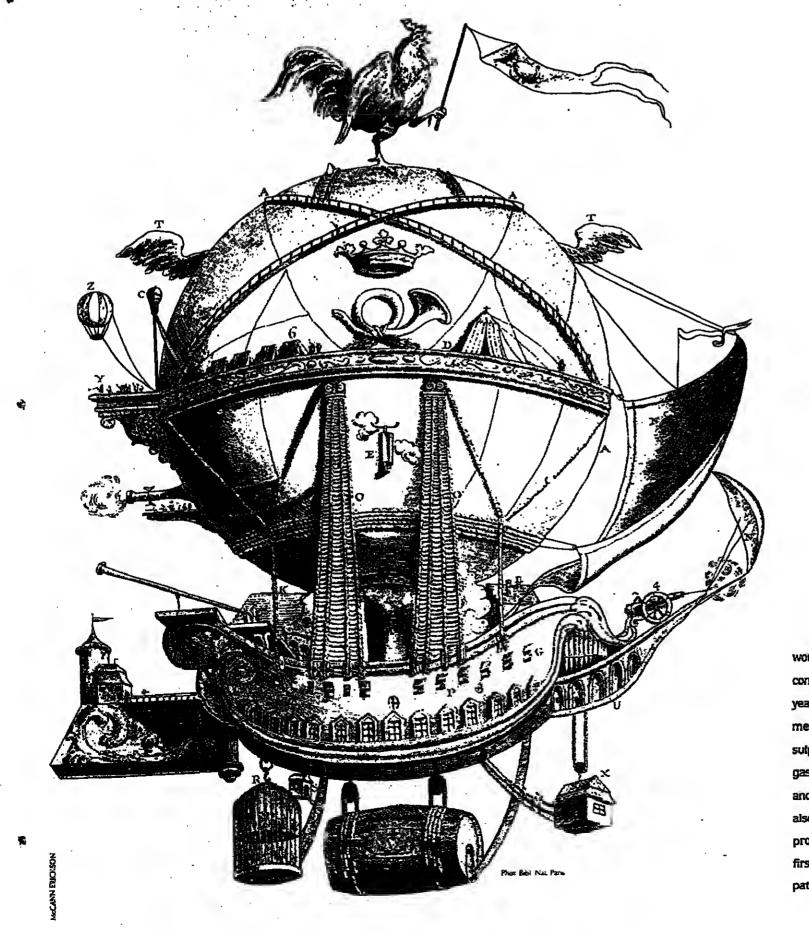
directly the interior ministry to some 26 murders committed by Gal between 1983 and 1987 in south-west France, then a safe haven for Eta, the Basque terrorist organisation, bave so far been blocked by the government's the Judge had ordered the arrest on remand of his former private secre-

tary in January. Mr Vera had alleged

that his subordinate was being pressured by the Judge's questioning

At the end of last week Mr Vera became the latest, and to date most senior, former interior ministry official to be remanded in custody hy Judge Garzón. He is accused of having used secret funds to finance Gal and of arranging for Swiss bank accounts to be opened for two former police officers, sentenced in 1991 in connection with the death squads. Mr Vera has refused to discuss secret funds and denied any involvement

A former secretary-general of the Basque branch of Mr González's socialist party has also been remanded in connection with the





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# Uncertain impact of financial rand's demise Joblessness is

past year, expectations of the imminent scrapping of South Africa's two-tier currency system bave sent Johannesburg dealers into a frenzy as speculators poured into the market hoping to reap huge short term profits by second guessing the government and the Reserve

Each time, however, they bave been disappointed as financial authorities Insisted thet the time was not yet ripe and have retreated to wait for a more opportune moment to

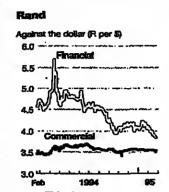
But as Mr Chris Stals, the Governor of the Reserve Bank, noted at a media briefing yesterday, given the government's explicit commitment to scrap the currency, at some stage the speculators are going to strike

More notably, Mr Stals's statement that, as far as he was concerned, the economic preconditions were now in place to get rid of the investment currency, gave further impetus to the belief that that time is imminent

in response to his comments. the gap between the financial and commercial rands plunged to a low of 7.2 per cent and there is a widespread expectation in financial markets that the currency's demise will take place soon. "The markets are now expecting it to bappen

Mark Suzman reports on the likely effect of removing South Africa's special currency

[Marcb 15] budget," says Mr Willie Potgieter, assistant general manager for foreign exchange at Standard Bank. in making his statement, bowever, Mr Stals has, in his own words "passed the buck back to the government." The abolition of the financial rand was, he said, a political decision that should be made by politicians, not central bankers. It is now up to President Nelson Mandela's African National Congress-led adminis-



some time in the next month tration to determine when to either before or aftar the make the move that virtually all economic analysts in and out of the administration agree is necessary if South Africa is to attract the large sums of for-eign capital it so desperately

> although economists agree that in the long run the decision will prove beneficial to the South African economy, no one is sure of the short-term effects.
> Although Mr Stals has been

talking optimistically of a rise in the value of the rand following the establishment of a single floating currency, most economists believe that its new value will settle somewhere between the former commer-cial rand and financial rand

Either way, foreign holders of financial rands will be able to net an instant profit on the anticipated currency apprecia-tion and many are likely to withdraw their money immedi-

The Reserve Bank has long been prepared for the depar-ture of most of the financial rands held in liquid bank

R5.5bn. But while this sum will be easily met by the Bank, which has more than R20bn at its disposal through existing reserves and international credit lines, the danger is that many of the holders of gilts or equities will also depart.

Although no accurate figures exist, Mr Jonathan Garner of the London School or Economics estimates this pool to be between R60bn and R120bn. Some of these investors, who had initially been attracted by the bigher returns offered through investment via the finrand, will almost certainly sell up, but it is impossible to tell

Privately some government officials admit that their research indicates the most likely figure for short term capital outflows to be between R10bn and R20bn, a sum which they bope would soon be offset by new capital inflows. If the sum proves to be greater than this, however, then the Bank will be forced to raise interest rates aharply, a move which could well cripple the burgeon-ing economic recovery and prove politically and economically destructive - a possibility which is causing some cold feet in the cabinet.

In the final analysis, however, as Mr Chris Liebenberg, the finance minister, has



Stals: It'e up to the politicians now

tial benefits of scrapping the currency far outweigh the potential risks. If the cabinet continues to hold out against the move even after the

the economy healthy enough to freely compete for capital in global markets, it will run the

# worst since '30s, says ILO

By Robert Taylor, Employment Editor

Thirty per cent of the world's workforce - some 820m people - are unemployed or under-em-ployed, the highest figure since the Great Depression of the 1930s, according to the International Labour Organisation in its first annual employment

report, published today.

"The present situation is both morally and economically irrational. It is creating an enormous waste of resources and deepening buman suffer-ing," says Mr Michel Hansenne, director-general of the United Nations agency in an introduction. A full employment commitment would provide a "common vision to

inspire action".
"A defeatist attitude on full employment risks becoming a self-serving prophecy". he adds. "The relative neglect of employment issues (as opposed to inflation and industrial pro-

ductivity) has gone too far. While the ILO accepts "the maintenance of an open and efficient global economic system" must be the "basic objective" of international action and argues strongly against trade protection, it insists "the social dimension" cannot be

The report challenges the views of other international bodies such as the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank. The ILO secretar-iat believes they downplay the gravity of the global unemployment crisis. It will be debated at the world social development summit in Copenhagen next month.

Its arguments reflect the views of a number of academic labour economists and of Mr Robert Reich the US labour secretary, the European Commission'a social affairs directorate and the international trade union movement. The report endorses trade

liberalisation and the world trade deal reached under the General Agreement on Tariffs and Trade, international co-operation to stabilise financial markets and government investment promotion policies. It calls for the adoption of "more open export-oriented economic policies that will guide production and trade towards activities in line with a country's comparative advantage." The "artificial promotion or protection of activities which have no hope of becom-

tive" should be avoided But it rejects "pure laissezfaire policies" as well as "the failed policies of classical import substitution". The report backs govern-

ment-based adjustment programmes which allow sufficiant time for adaptation to change and minimise social

unrest. It also favours cuts in non-wage labour costs such as payroll taxes and social security benefits, particularly for low paid workers as well as incentives to encourage the long-term jobless back to work It also argues that labour market rigidities in western Europe are not the main rea-son wby its unemployment rates are higher than those in the more deregulated US.

High unamployment in industrialised countries is blamed on "a persistent inade-quacy of economic activity for 20 years" due to "the lack of co-ordination" and the "defla-tionary bias of European eco-nomic policies".

It agrees "excessive" pay rises contributed to rising Enropean unemployment between the first oil shock of 1973-1974 and the mid-1980s but this "no longer appears to be "It cannot be said the level of

wages continues to be a signifi-cant problem and indeed their reduction would only have a meagre impact on unemploy-ment... Wages across countries only marginally adjust to changes in unemployment and not in a way that would clear the market."

It also says "at best the evi-dence is unclear" that decentralised pay bargaining provides greater flexibility in real wage adjustment. In the UK, it says, "real wages have risen faster than productivity growth and aggregate employ-ment has not increased, in spite of the decline in union density and decentralisation of pay bargaining... The fact that three of the world's most successful economies - the US, Japan and Germany - all have vastly different levels and coverage of bargaining and union density undermines the case for the superiority of decentralised systems," it says.

Most evidence on the imposi-tion of a national minimum wage has an "insignificant" impact on aggregate employment levels in industrialised economies. It questions whether high unemployment benefit paid out in western Europe for long periods has much impact on the Jobless

The report favours "appropriate labour market regulation", arguing employment security measures "increases the propensity of firms to train and the willingness of workers to invest in upgrading their

"Rules that protect the income and employment security of workers can increase productive efficiency by creating incentives for competition to occur more through product market innovation and market

Obtainable from the ILO office, Vincent Square, London SW1 2NB, £12.00

#### INTERNATIONAL NEWS DIGEST

### Call to suspend talks with Israel

A cenior pro-peace leader of the Palestine Liberation Organisation yesterday called for suspension of peace talks with Israel, reflecting the growing lobby inside the PLO against continuing the current process. Mr Yassir Abed-Rabbo said the talks should be suspended to allow other countries to participate in negotiations in order to revive the moribund peace process, Mr Abed-Rabbo is close to PLO chairman Yassir Arafat and has so far been a vital element inside the PLO in backing Mr Arafat's peace gambit. His remarks reflect deepening opposition within PLO ranks to continuing the process.

Three other members of the executive committee who have backed the process - Mr Farouk Kaddoumi, Mr Suleiman Najjab and Mr Mahmoud Abbas (Abu Mazen) - are not attending the meeting in protest at the way Mr Arafat has handled the negotiations with Israel and the way the self-rule agreement has turned out in the Gaza Strip and West Bank. Julian Ocanne, Jerusalem and Shahira Idriss. Cairo

#### Low turnout mars Kyrgyz poll

The second round of elections for Kyrgyzstan's parliament filled only two-thirds of its 105 seats, leaving the body still unable to begin work, election officials said yesterday. Low voter turnout and errors in Sunday's elections left 27 seats vacant, the Central Election Committee in the capital Bishkek said. Turnout fell below 50 per cent in some regions, invalidating balloting. Overall, only 61 per cent of registered voters went to polling stations. The elections were called by Presi-dent Askar Akayev last September following the dissolution of the old parliament. Since then, the president has ruled by decree and will continue to do so until the new parliament is in place. The next round of elections will be held in two months. AP, Bishkek

#### Saddam 'still has missiles'

Iraqi President Saddam Hussein Is still concealing long-range missiles and chemical and biological weapons from UN inspec tors, General Wafiq al-Samra'i, who defected late last year said yesterday. In an open letter to UN envoy Rolf Ekeus, who is in Baghdad this week, the general said Saddam had retained long-range Scud and al-Hussein missiles. Reuter, Vicosia.

### Israel reduces interest rates as anti-inflation policies start to bite

Israel lowered interest rates yesterday for the first time in more than a year, signalling confidence that anti-inflationary policies are beginning to show signs of modest success. The Bank of Israel cut its

key lending rate to commercial banks by 0.7 percentage points from 17 to 16.3 per cent, the first interest rate reduction after seven consecutive hikes The Israeli treasury, which

has piled pressure on the cen-tral bank to cut rates substantially, welcomed the move as "the beginning of a process of lowering interest rates, which is essential for the etability and growth of the economy." But share prices in Tel Aviv fell, reflecting disappointment

of the top 100 blue chip companies fell 1.5 per cent to close at 157.29 points. Businessmen and manufacturers also said the cut was insufficient to avoid economic alowdown and

restore export competitiveness.

Mr Jacob Frenkel, central bank governor, aaid last month'e 0.2 per cent increase in the consumer price index and evidence of slow growth of monetary aggregates had allowed the bank to make yesterday's move. But he said it. was too early to declare victory against inflation, which last year reached 14.5 per cent. He described the rate cut as merely a modest realignment of nominal rather than real

The governor said if the

interest rates.

would further reduce rates later. But he warned: "The disinflation policy is a long effort and must be considered as a permanent way of life." Israel's business community reacted negatively. Mr Danny Gillerman, chairman of the Israel Chamber of Commerce, said the move was "too little and one must hope its not too late." Mr Gillerman, who has

demanded a cut of 2 per cent, said the Bank of Israel's mone-

tary policy had caused chaos in

the money market and warned

bank continued to receive firm

inflation consistent with a tar-

get of 8-11 per cent this year he

of economic stagnation. Mr Dan Propper, Chairman tion with "worry" and said it of the Israel Manufacturers was insufficient to restore com-Association, said he viewed Mr

Interbenk rate (%)

was insufficient to restore company profitability or make a dent in the trade deficit.

### Poor nations rally to Unctad defence

By Frances Williams in Geneva

Developing countries have agency, the UN Industrial of 77 developing countries, rallied to the support of the Development Organisation which has told Mr Bontros includes aid and debt policies, ing internationally competi-United Nations Conference on Trade and Development, the principal UN forum for discussion of development issues, after suggestions it should be abolished in the interests of streamlining the UN system. The report of the Commission on Global Governance

presented to the UN last month

called for a review of Unctad's Trade Organisation. role - and that of another UN (Unido) - as part of proposals Boutros Chali, UN secretaryfor a new UN Economic Security Council.

Internal Oversight Services, said he intended to carry out such a review, adding that Unctad had lost a large part of its mandate to the new World This is refuted by the Group

general, that it wants Unctad's activities reinforced. At a news Subsequently, Mr Karl Theodor Paschke, head of the UN's sador Guillermo Alberto Gonzalez of Colombia, chairman of the G77 in Geneva, said Unctad's work complemented that of the WTO, which is more narrowly concerned with employs about 440 people.

Apart from trade-related activities, Unctad's work multinationals and foreign direct investment, privatisation, technology transfer, commodities and development in the world's poorest countries. The organisation, which has a regular annual budget of \$55m (with another \$20m earmarked for technical co-operation),

#### **NEWS:** WORLD TRADE

### Indonesia minister seeks showcase credit boost

By Manuela Saragosa in Jakarta

Mr B J Habibie, Indonesia'e minister for research and technology, yesterday said several of the country's showpiece high-tech projects, including the state-owned aircraft company IPTN, are incurring losses and required sizeable export credits to compete on foreign markets.

which he is closely identified, and its sister ahip-building company PAL, were both facing losses, though be did not say how large these were.
"If we have to sell all our

products on cash-and-carry terms, how can we compete with foreign or domestic producers which offer credit facilities for buyers?" be said in a report carried by the official oreign markets.

Antara news agency. Most blg
Mr Habibie, said IPTN, with
capital goods are sold on the

basis of credit, he said. His comments come ahead of his meeting with Mr Sudradjad Dilwandono, governor of the central bank, and Mr Marie Muhammad, minister of finance, to ask for

a study into making state funds available for export credits. "If the results of the study show that an export credit scheme will burden the state'e finances then let us close down the industries," he said.

Over the past 18 years, the government has invested nearly \$1bn in IPTN, which is currently looking to set up a \$100m joint-venture in either Alabama or Georgia in the US. Mr Habibie, a controversial

technology enthusiast, has been at loggerbeads before with Mr Mar'ie Muhammad. Last year, Mr Muhammad slashed by two thirds the \$1.1bn in state funds made available for upgrading and

buying a fleet of 39 east Ger- ment would do better to invest man warships, a purchase which was organised by Mr

Mr Habibie was also alleg-edly behind a presidential decree last year to divert about \$200m from reforestation fund to IPTN, causing an outery from envi-

The minister has also been criticised by the World Bank, which said Indonesian govern-

money in sectors where profitable returns are more certain and which can absorb the 2.5m new workers who enter the domestic workforce every year.

IPTN and PAL are grouped under the Agency for Manage-ment of Strategic Industries, which includes other companies specialising in electronics,

### **WE END UP SHOWING ALL OUR** CLIENTS THE DOOR We offer specialist

opens doors to want to tap their potential and tackle the next stage of their





### US indicates support for proposed talks on OECD investment treaty

By Nancy Dunne in Washington

The US has signalled its backing for negotiations over a multilateral investment treaty to be launched in May at the next ministerial meeting of the Organisation of Economic Co-operation and Development. The time appears to be ripe for such a treaty: the global shortfall of investment capital could push some countries to

liberalise more swiftly than could ever have been expected. Such a treaty is one vehicle for meeting concerns about endless trade disputes and the broader transatiantic relationship. The Clinton administration, which has made trade and investment a high priority in its relations with developing countries, is now targeting the EU, still its largest export market and fastest-growing one for high technology product. "The US and Europe need a

more far-reaching vision of their intertwined future than now exists," said Mr Jeffrey Garten, the US Commerce undersecretary for international trade, in a speech last year. "The vision must go beyond the platitudes of more co-operation, and beyond the efforts to deal with a series of agenda items, important as these are."

Sir Leon Brittan, the EU trade commissioner, last month called for a strong trenty which would give com-panies access to a fully con-vertible currency, allow them to repatriate their profits, and leave them free from "unduly onerous performance require-

The OECD, he said, should

treaty. "But it is only worth issuing such a mandate if we are all agreed 'up front' that such rules would be more binding than some past OECD rules, and would have fully effective enforcement proce-

Preliminary analysis for an investment treaty has been under way since a feasibility etudy was ordered in the OECD 1991. Five OECD working groups have been examining the proposal and are expected to produce a draft to be presented at the May 23 OECD meeting supporting the case for a treaty and requesting approval from member govern-

Global foreign investment is currently governed by a web of bilateral investment treaties, many of which are decades old. Business organisations, such certainly be given a mandate to pursue an investment as the European-American

Chamber of Commerce, are pushing hard for a multilateral pact that would require countries to treat subsidiaries of foreign countries no less favourably than their own companies.

They want harmonisation of rules governing taxes and prohibitions on performance requirements, such as technol-ogy transfers and the export of intellectual property.

Multilateral investment rules for services were agreed in the Uruguay Round trade liberalis ation talks of the General Agreement on Trade and Tar-iffs, but the Round is riddled with exemptions. Sir Leon has pushed for consideration of a new pact under the Gatt's successor body, the World Trade Organisation, but the US believes the same exemptions WORLD TRADE NEWS DIGEST

### Microsoft starts China training

Microsoft, the US computer giant, yesterday launched a \$1m scheme to train Chinese computer software engineers as part of its sales drive in China. The US company is giving top universities endowments to establish "Microsoft certified prolessional" programs as a means of strengthening its foothold

The four universities selected for endowment include: the Institute of Software of the Chinese Academy of Sciences and Qinghua University in Beijing; Jiaotong University in Shanghai; and Guangzhou University.

The Microsoft courses have been sanctioned by China's

Ministry of Electronics Industry (MEI) and the state education commission. Microsoft last December signed a memorandum of understanding with MEI to co-operate in software develop-ment. Personal computer sales in China are running at about 650,000 annually and virtually all PCs are equipped with Microsoft programs, the bulk of which are pirated. Network sales are expected to double this year. Tony Walker, Beijing

US lauds Beijing piracy efforts

Washington has been heartened by Chinese actions to crack down on intellectual property rights violations, but piracy remains rampant, Ms Charlene Barshefsky, deputy US trade representative, said yesterday. Speaking on her arrival in Beijing, she said that talks to avert a trade war had made some progress, but several important issues had yet to be resolved. Reuter, Beijing

Stretch Boeing 777 planned

Three Japanese aircraft manufacturers will start work this Three Japanese aircraft manufacturers will start work this summer on developing a 450-seat stretch version of the Boeing 777 with Boeing of the US. Industry officials said yesterday the three companies, Mitsuhishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries, will send about 50 technicians to Boeing's factory in Seattle, Washington, in the next few months to assist with development. The new aircraft is accorded to be ready for service in 1000 is expected to be ready for service in 1998.

The original Boeing 777 was completed last year and begins service in the spring. Several companies have expressed interest in the stretch version, which will have a longer fuselage than the original but a similar flight range of about 5,000 miles. Gerard Baker in Tokuo

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FINANCIAL TIMES WEDNESDAY FERRITARY 22 1005

Our objective was to build the quietest V8 engine possible.

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\*J.D. Power and Associates 1994 Customer Satisfaction with Product Quality and Dealer Service Study SM. Study based on a total of 24,797 U.S. consumer responses.

#### ASIA-PACIFIC NEWS DIGEST

### Minister sacked in South Korea

Mr Kim Deok, the South Korean deputy prime minister for national unification, was sacked yesterday in response to allegations of political meddling by the country's intelligence agency when he was its chief. The opposition Democratic party on Monday claimed that the Agency for National Security Planning (NSP) last autumn had studied the possibility of postponing local elections scheduled for June. Mr Kim. who was appointed unification minister last December, was then bead of the intelligence agency. The opposition has accused the government of trying to delay the elections so it could redraw administrative boundaries that would improve the electoral performance of the ruling Democratic Liberal party. Mr Rha Woong-bae, a close confidant of the president, was named the new unification minister. Mr Rha indicated that he would take a more conciliatory approach toward North Korea by promoting economic co-operation. The local polls are the first main election test for the government of President Kim Young-sam since it came to power two years ago. Mr Kim Jong-pil, who resigned last month as DLP chairman after a dispute with President Kim, meanwhile said he would form a new conservative party to challenge the government in the elections. The new party, the United Liberal Democrats, has the support of at least nine MPs in the 299-member national assembly. John Burton, Seoul

#### Japanese revival 'uneven'

Japan's economy is undergoing a slow and uneven take-off, according to government indicators issued yesterday. The Economic Planning Agency's coincident index, a basket of 11 indicators of current business conditions, stood at 85 in December, the fifth month running at which it has stood above 50, the dividing line between expansion and contraction. It stood at 60 in November, proof the economy "remains on a trend towards recovery," the EPA said. The leading indicator, e measure of expected economic conditions three to six months ahead, fell slightly to 72.7 in December, above equilibrium for the second month running. William Dawkins, Tokyo

#### Hong Kong inflation tops 10%

Hong Kong's annual inflation rate rose above 10 per cent last month, underlining the colony's continuing difficulty in controlling the pace of price rises. The CPI (A), Hong Kong's accepted inflation measure, rose 0.7 per cent in January compared with December. This pushed the annual rate of inflation to 10.1 per cent in January, compared with 8.9 per cent in

December and 6.2 per cent in January 1994.

The census and statistics department said the main reason behind the sharp rise was movements in essential foods, Vegetable prices were 30 per cent higher in January than a year ago, it said. Simon Holberton, Hong Kong

■ Taiwan's current account surplus rose to US\$2.06bn (£1.3bn) in the fourth quarter of 1994 from \$1.95hn in the same period a year earlier, the central bank said. Reuter, Taipei

Japan has adopted a goal of constructing a nationwide optic fibre network by 2010 as part of its policy of promoting telecommunications infrastructure. Reuter, Tokyo

■ The Hong Kong government will not relax measures introduced last year to cool speculation in the residential property market, Mr Dominic Wong, secretary for housing, said yesterday. The measures included limiting housebuilders' ability to pre-sell developments. Simon Holberton, Hong Kong

On 14th February 1995, the French daily newspaper Libération published

totally unfounded accusations, casting doubt upon the Integrity of our

commercial dealings with EDF, the French national power utility.

and CEO of Alcatel Cable

This has caused a 4,35 per cent drop in the value of Alcatel Cable

shares on the Paris Bourse, representing a total decrease in market

from the Chairman

to our partners

capitalization of 859 million French francs.

A message

# N-waste ship set for stormy trip

By Emiko Terazono in Tokyo and Haig Simonlan in London

The first shipment of high-level radioactive waste from reprocessing fuel rods is due to leave the French port of Cherbourg for Japan tomor-

The Pacific Pintail, a specially equipped vessel owned by British Nuclear Fuels, will set off after the company won an injunction in France on Tuesday to restrict potential environmental lobby group. No course for the voyage has been revealed. However, envi-

Cogema's customers include

some of Japan's main electric-

ity utilities. They use its facili-

ties to reprocess spent nuclear

fuel rods into new fuel rods

However, high-level waste is

the other inevitable by-product

It comprises elements such

have been exposed in extremes

of radioactivity and cannot be

other glassmaking substances

at extremaly high tempera-

tures to form a glass-like liq-

uid, which is then poured into

According to Cogema's con-

tracts, e customer is obliged to

take back hoth the usable

nuclear fuels from reprocess-

special steel flasks.

actual and potential.

the interests of all concerned:

employment from this false information.

and plutonium.

of the process.

re-used.

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Our company has recently been the subject of attacks which could be detrimental to the normal

conduct of our industrial and commercial business, and to the market value of our shares.

ronmental activists are gearing up for one of their most vociferous campaigns since the Akatsuki Maru, a reflagged BNF freighter, carried plutonium from Cherbourg to Japan

The Japanese government

had initially wanted to release details of the voyage but met strong opposition from BNF and Cogema, the French state reprocessing company, which were concerned about protests. However, the injunction, which prevents Greenpeace from getting within 8km of the vessel, covers Frenchwaters only and lapses at the end of

"We will take any appropri-

ate and necessary legal action to protect the ship in international waters", said a BNF official. As the Pacific Pintail is British-registered, BNF could turn to the UK courts to prevent protests on the high seas.

"There are few operations which have enjoyed so much consensus as this one", said Mr Jean-Louis Ricand, Cogema's vice president in charge of reprocessing. "Only one group is against it, in order to gain

The Japanese government is bracing itself for an interna-

tional outcry. The country's Science and Technology Agency and the Federation of Electric Power Companies confirmed the first shipment of radioactive waste would leave tomorrow. As the course has been kept from the public, international environmental groups and more than 20 countries on the expected voyage

for lack of disclosure. The high-level waste is concentrated and mixed with glass into cylindrical blocks. Tomorrow's shipment will consist of 28 such blocks. Environmentalists claim the blocks are so

are criticising the government

standing within one metre of a single unshielded block could receive a lethal dose in less than a minute. The shipment is expected to

arrive in April. Four routes are possible. The Akatsuki Maru travelled around the Cape. across the Indian Ocean and between Australia, New Zealand and the South Pacific Islands before reaching Japan.

However, a similar course is less likely for the Pacific Pintail, as it not designed to sail so far without refuelling. A non-stop voyage would have to use the Panama Canal.

### Groups **'made** illegal

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By Gerard Baker in Tokyo

Two tronhled financial institutions at the centre of a deepening financial imbroglio in Japan made illegal loans accounting for more than 72 per cent of their total lending. according to documents released yesterday.

The two credit associations Tokyo Kyowa and Anzen, made 40 large loans worth a total of Y163.4bn (E1.06bn), all exceeding the individual maximum of 20 per cent of an institution's capital which, under banking law, may be advanced to any one borrower.

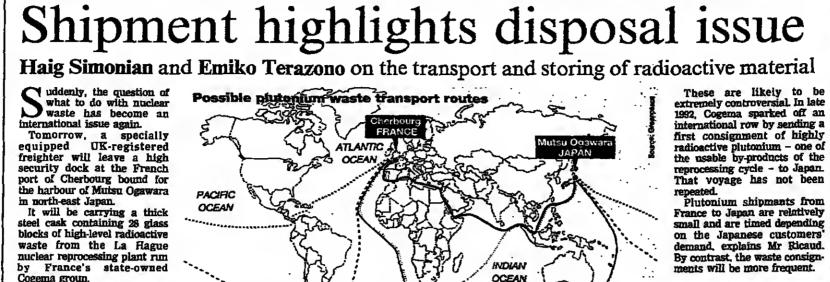
The two companies were res cued by the the Bank of Japan last December after it was found they had over Y110hn in non-performing loans. The documents released yesterday by parliament, which is investigating the rescue, showed this represented almost half the two institutions' total loans of Y225.3bn. Anzen had bad loans of more than 90 per cent of its total assets.

The documents confirmed that more than Y65bn of the advances were made to companies connected with the president of one of the institutions, Mr Harunori Takabashi, a property developer. In the late 1980s. Mr Takahashi developed extensive political con-

Those links have accounted The Japanese government for the political demise of Mr has yet to find a final site for storing radioactive waste. While a facility to deposit Toshio Yamaguchl, a former labour minister, who resigned last week as deputy general secretary of the reformist New nuclear waste has been huilt in Rokkasho, Aomori in northern Frontier party when it was revealed members of his fam-Japan, as a part of a nuclear complex which includes a ura-nium enrichment plant, local ily had received large loans from the associations. authorities refuse permanent

The documents were given Following last December's to the lower house of the Japaagreement with Rokkasho and the Aomori municipal governnese parliament last week hy the finance ministry and the ment to limit the length of Tokyo metropolitan government, responsible for the comstorage at the Rokkasho site, panies' supervision. But they contain no names of depositors and borrowers, despite pressure from legislators to publish details. to become one of the central

· The lower house budget committee begins a two-day



--- Assured Latin America (Cape Horn) and across the Pacific Ocean
---- Through the Caribbean Sea and Penama Canel, then passing near Hervell while crossing the Pacific Ocean
----- Around southern Africa (Cape of Good Hope), across the Indian Ocean, then through the Straits of Melacca and South China Sea

as fuel rod casings and parts of The waste comes in three mentalists believe the principle degrees of radioactivity - high, of "substitution" is implicit in the reprocessing cycle which medium and low.

A similar arrangement exists in the case of British Nuclear Using a highly sophisticated vitrification technique, the Fuels, Cogema's UK competitor, and its clients. However. waste is mixed with silicon and the question of returning high level nuclear waste from BNF has not yet arisen, as its big Thorp reprocessing facility is only now coming on stream.

Although BNF, which numbers many Japanese utilities among its clients, is committed to sending back all the wastes, the question of quantity remains murky. Some anviron-

the UK contracts, although some in the UK government

Substitution means that BNF can send back a larger than planned quantity of highly radioactive material in return for not returning the much hulkier medium and low-level

Substitution makes business sense. Sending back the voluminous medium and low level materials would be immensely expensive, in spite of their relaity. However, politically it raises hackles about turning Britain into a nuclear dustbin. Cogema says it has not agreed on substitution with its customers. Thus tomorrow's shipment will be first of many

from France to Japan, Further

shipments are likely to follow

once the cycle is in full swing. Cogema expects to make "one or two" shipments a year, with the next transfer taking place either this year or in 1996, according to Mr Jean-Louis Ricand, the vice president responsible for reprocess-

natorial election in April

the government has heen

forced to look for alternatives,

including the northern island

The proposition is expected

ow well equipped the Japanese are to

\_ receive them is less

# Fresh HK pension plan unveiled

Hokkaido.

The Hong Kong government yesterday unveiled a fresh proposal for a comprehensive pension scheme just weeks after it was forced to withdraw a plan in the face of opposition from Chica and husiness, writes Simon Holberton in Hong

The new proposal would require companies and workers to contribute to a compulsory privately managed retirement protection scheme. The company-based schemes would be portable, but, unlike the original proposal, it would not provide immediate benefits to Hong Kong's

With the defeat of its earlier proposal in mind, the government was yesterday taking no chances. It said it would call for an affirmation of the proposed scheme in a

motion debate on March 8 in the Legislative Council (LegCo), Hong Kong's law-making body.

If LegCo supports the new scheme, the government will consult China and begin detailed planning. It was unclear, however, how China would react. It objected to the former pension scheme on the basis it represented creeping welfareism

This time it might object to be being placed after LegCo in the process of consultation. In the past, China has been dismissive of Hone Kone's legislature which it regards as only an advisory body. Last month, the government dropped plans to introduce an old-age pension scheme in the face of widespread

objections from business, China and some

local politicians. This scheme would have provided an immediate monthly pension of HK\$2,300 (£190), adjusted for retail price The government said last pight it

expected to win the support of LegCo. Officials had met more than 30 groups in recent weeks and found general support for the proposed company scheme. Companies would be required to

establish pension funds. There would be a statutory minimum contribution of which the employer will be required to pay half.
There would also be increased regulation of the operation of registered occupational pension schemes and their administrators. A system would be developed to deal with benefit losses due

### Karen quit border stronghold

Burmese victory has a hidden drawback, reports

William Barnes

Karen guerrillas, the most powerful opponents of the mili-

tary regime in Rangoon, withdrew from their last main stronghold on the Thai-Burmese border yesterday, following an intense Burmese army artillery barrage.
It will be taken as e victory

by the Burmese army, locked in a bitter struggle with the Karen National Union for most of the time since Burma gained independence from Britain in 1948. Yet the State Law and Order Restoration Council, as the regime styles itself, has, in trying to crush the Karen National Union, risked spoiling relations with some of the few friends it has: the six members of the Association of South East Asian Nations.

Yesterday 1,000 Karen fighters carried their small arms out of Kamoora, some 400km north-west of Bangkok, across the Moei River into Thailand. The Thai army said they would he transported sonth and allowed to recross the border into an area of Burma still under Karen control.

The regime broke its own 1992 ceasefire in December to attack the Karen, taking advantage of a split in Karen ranks. Late last month, Burmesa troops overran the Karens' Manerplaw HQ, also an important base for the extled opposition movement.

Armed That border police search Karen men after they fled across the border from Burma

structive engagement" with a regime widely criticised for its human rights ahuses and refusal to allow a democratically elected government to take office. During the Kamoora attack

Burmese army shells fell into Thailand and Burmese troops have tried to attack the Karen through Thai territory, with kidnapping raids made into Thai refugee camps, where 8,000 Karen have sought shel-ter. Thailand has found it hard to take the line that this fighting is an "internal matter". Last Wednesday, Mr Surin

Pitsuwan, Thalland's deputy foreign minister, warned Mr U Tin Winn, Burmese ambassador in Bangkok, that "Burma Thailand has led Asean's should not destroy the good controversial policy of "con- atmosphere developing

between Asean and itself." The Asean countries have claimed that bringing the regime into regional talks, rather than isolating it, will steer it to a more democratic form of govern-

Diplomats say the generals in Rangoon appear set on hold-ing Ms Aung San Suu Kyi, the popular opposition leader, under house arrest, at least until the present constitutional convention has agreed to enshrine the military'a dominance, and effectively exclude her from significant political

The Karen National Union is the most powerful of the few ethnic rebels who have not signed a peace agreement with Rangoon. Since 1989, Slore has squeezed ceasefire deals from

12 ethnic groups. 9Slore may be planning to

"negotiate" a peace agreement with a faction of Karen Bud-dhists which defected from the mostly Christian-led KNU in December. Snatch squads have crossed from Burma to penetrate refugee camps in Thai-land and recently took a prominent Karen Buddhist hack across the border. Slore seems confident the

husiness deals it has to offer Asean will tempt its neighbours to retain "constructive engagement". It could be right: last week, as Burma was being reprimanded for allowing raids into Thailand, the Thai Board of Trade said 80 businessmen will make up Bangkok's biggest trade mission to Burma this week.



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Claude Bavis

Chairman and CEO

Calvin Beck has good reason to be happy.

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MANCHESTER DEVELOPMENT

NATURE OF BUSINESS

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By George Graham in Washington

Republicans in the US Congress reach the balfway mark today in their 100-day march to carry out the Con-tract with America, the manifesto on which they swept into tbe majority at last November's congressional elections.

Although only one measure in the Contract - a bill placing Congress under the same workplace lawa aa other employers - has been signed into law, Speaker Newt Gingrich and his allies can already claim to have accomplished much of what they promised. The Contract was signed only by Republican candidates for the House of Representatives, and it promises only to bring a list of bills to a vote on the House floor. It does not guarantee passage, and it cer-tainly does not guarantee that

The original list of 10 bills promised in the Contract has been broken up in many cases

the Senate will pass the same

into separate pieces of legislation, so precise scorekeeping is

have so far made good on the internal congressional reforms which made up the Contract's preamble, on three other measures in their entirety and on parts of a fourth. Committee work is well under way on sev-

eral other critical components. The House's 230 Republicans have shown remarkable party discipline in the usually unruly Congress, and on several bilis have been joined by 80 to 60 of the 204-strong Democratic minority.

But there have been some severe rifts within the party, which have often pitted more moderate old-timers against the radical newcomers who won their first elections in November. One clash came over the balancad budget amendment to the constitu-tion, when moderates forced the elimination of a requirement that any future tax increase be passed by a threefifths majority of Congress.

Party leaders had to work hard to prevent freshmen members from voting against the amendment because it had been weakened from the origi-

· A similar clash between old and new is expected over pro-posals to limit the length of time members can serve in The Contract has so far suf-

fered only one severe defeat on the floor of the House: when 24 Republicans defected to vote against its requirement that the Pentagon speed the deploy-ment of Star Wars style antimissile defences. The rebels included four committee heads, most notably Congressman John Kasich, who chairs the budget committee and is a central figure in the party leader-

The hardest work, however, may be ahead. Among the measures which have been slowest to move are promises to cut capital gains taxes and provide e tax credit of \$500 (£320) per child to families.

Under current pay-as-you-go

budget rules, tax cuts have to be offset by increases in other The heart of the Contract with America is a package of reforms to Congress's operations revenues or cuts in recurrent entitlement spending. The cost of the Republican package is and a list of 10 bills that Republican candidates promised to bring to the floor of the estimated at \$200bn over the House for full debate and a clear vote within next five years, and more than 100 days of convening. At the halfway point, this is where the Contract stands:

Congressional reforms. Legislation to sub-That cost would make it

ject Congress to the same rules on employment conditions as the rest of the country by President Bill Clinton on January 23. Internal rule changes have also been implemented. Fiscal Responsibility Act. A constitutional amendment requiring the federal government to balance its budget passed tha House and will come to a vote in the Senate on February 28. Supporters are close to the two-thirds majority they need for the amendment, which would also have to be ratified by three quar-ters of tha states. Legislation to give the president power to cross out individual lines in spending bills passed the House, and two competing versions have cleared Senate com-

bills, the House has passed measures to boost prison spending, reduce hebess corpus rights and constitutional protection against illegal searches, and replace Mr Clinton'a plan to fund the hiring of 100,000 more police

officers with more general grants to local governments. Senata committee action is expected next week, but Mr Clinton has threatened a veto.

 Personal Responsibility Act. The plan to reform the welfare system would cut payments for unmarried mothers and give more responsibility to the states. It has passed a House subcommittee. More committee action is expected this week.

ways and means committee has held hearings on this proposal to provide tax breaks for adoption and the care of elderly dependents. The Contract also proposes tougher child pornography laws and expanded rights for parents over their children's education.

 American Dream Restoration Act. Thia package of "middle class tax cuts" may prove one of the most difficult measures to pass, because it will be so expensive to finance its proposed \$500 per child tax credit and easing of the tax penalty on mamage. Legislation has not yet advanced very far. National Security Restoration Act. The

House passed this bill to cut US participation in United Nations peacekeeping operations and restrict the president from placing US troops under foreign command after an irritable debata last week. The Senata is expected to be much more wary of the bill and a

 Senior Citizens Falmess Act. No action ye on this promise to raise the limit on how much senior citizens can earn without losing their

social security benefits.

• Job Creation and Wage Enhancement Act. The "unfunded mandates" portion of this pro-posal, which would restrict the federal government in imposing actions on state govern-ments unless it also provides money to pay for them, has passed both House and Senati but the two chambers are having difficulty reconciling their versions. A moratorium on all vernment rules will come to the House floor this week. Proposed changes to depreciation rules appear almost dead, and debate contin

ues over a 50 per cent cut in capital gains tax,

which would be costly. Common Sense Legal Reforms Act. A House committee has approved legislation to restrict lawsuits by shareholdere. Flerce debate is expected over limits to manufacturers' product liability and on a measure to make the loser pay both sides' legal costs.

Ottizen Legislature Act. A Senate commit tee has approved a bill that would restrict members of Congress to 12 years in each chamber. In the House, relations have soured a 12-year limit, and hardline term limits advo-

### cates, who want a six-year ceiling crisis may send Argentina to IMF

By David Pilling in Buenos Aires

\$700bn over 10 years.

even harder to bring the bud-get into balance, as Congress

could be required to do as

early as 2002 if the balanced

budget amendment to the con-stitution passes the Senate

next week and is then ratified

by three quarters of the states.

not have the same commit-ment as the House to tha Con-

tract's content or to its 100-day

timetable. Nevertheless. Mr

Gingrich and his House troops

have the political wind in their

sails. Senator Robert Dole, the Republican leader in the Sen-ate, may be more cautious by

nature than Mr Gingrich, but he may find it hard to buck the

Contract without burting his

chances of winning next year'a

presidential nomination from

Mexico

the Republican faithful.

The Senate, meanwhile, does

Argentina may sign a new accord with the International Monetary Fund to see It through financial difficulties provoked by the Mexican crisis, a Finance Ministry official

admitted yesterday. Mr Ricardo Gutierraz described negotiations as "very preliminary" and denied press speculation that the specific sum of \$2bn bed been dis-cussed with the IMF, which has had a monitoring team in Buenos Aires for three weeks. In the past, government officials, including Mr Domingo have denied that Argentina would seek fresh funding.

Only last September, Argen-tina turned down the last two tranches of an IMF extendedfund facility totalling \$410m, claiming that its good access to international capital markets rendered auch assistance unnecessary. President Carlos Menem described Argentina as being like a child that had just learned to walk on its own - it no longer needed parental

At the time, the administration strongly denied that it had refused loans in order to escape rigorous IMF monitor1994 it recorded a budget defi-

As a result of the sbock waves provoked by Mexico's devaluation, Argentina's posibly. Prospects of much slower capital inflowa this year, as well as severe liquidity prob-lems in the financial sector, have provoked fears of recession, or even a banking collapse. The stock market has lost more than 30 per cent of its value since Mexican devaluation, with many government bonds falling by a similar

Tough international market

ing, but in the second half of conditions bave obliged the domestic market for funds needed to pay \$5.2bn in debt payments this year.

The government has scheduled seven auctions of short-term treasury bills for the first quarter of 1995 in which it hopes to raise a total of \$1.7bn, but conditions for yesterday's \$230m placement were said to be "discouraging" by some traders

The IMF would almost certainly impose tough conditions as the basis for a new accord, including further spending cuts or tax increases. These may be extremely hard to swallow for an administration that must fight presidential elections on May 14.

However, some commentators have suggested that the government will play on public fears of economic instability to push through an austerity package, "Such a package, if applied before the May elections, should play in favour of the ruling party in the election as it will be perceived as a bold and responsible move in managing the crisis," said an ana-"Memories of economic chaos and hyperinflation should gain public support for this pack-



### Peace deal fails to halt Peru-Ecuador fighting

n plan unve

Jer drongs

Armed clashes are continuing in the disputed Peru-Ecuador border area known as the Cordillera del Condor, despite the signing of a peace declaration in Brasilia last Friday. A com-munique issued late on Monday by Peru's joint chiefs of staff accused Ecuador of carrying out "aerial operations with combat belicopters... infiltrat-ing troops and harassment". In the Peruvian forward

bases of PV-1 and Ciro Alegria last weekend there was no let-up in activity as troops and provisions were constantly abuttled in and out. Commando patrols were slogging through dense jungle, thigh-deep in mud and still exchanging machine-gun and mortar fire with atray Ecuadorean patrols: platoons of Aguaruna Indlan volunteers farried rations to them. There could now be some 2,000 Peruvian soldiers in the disputed zone.

A preliminary contingent of observers from the US, Chile,

Argentina and Brazil was yes-terday one to start a four-day visit to Ecuador and Peru, to establish tha viability of a larger, technical mission of observers to oversee the cease-

fire and separation of forces. The mission faces an unenviable task. The military on both sides, irrespective of agree-ments their countries' diplomats may sign, appear well dug in and passionately com-mitted to not ceding an inch of

In this most anachronistic and confusing of conflicts. there is no certainty over exactly where some of the dis-puted bases lie or who controls them. Peru's President Alberto Fujimori has three times in a week had to cancel attempts to reach Tiwinza, a border out-post which both Peru and Ecuador claim to occupy.

have claimed military and diplomatic victories and peace has been widely celebrated. But in both countries, criticism of the

Under the agreement, the disputed zone on the eastern slopes of the Cordillera del Condor will become a demili-tarised zone. Ecuador will pull its troops back to Coangos,

Peru to PV-1. This is an ardises Peruvian sovereignty over part of the national territory", said Mr Javier Pérez de Cuellar, former UN secretarygeneral and the main opposition presidential candidate for April's general elections.

Mr Pérez de Cuéllar, now the most convincing critic within Peru of the peace declaration, argues it is "inequitable" and "harmful to the national interests" in requiring Peruvian that Ecuador occupied by force, while Ecuadorean troops remain right on their frontier: aggression is being rewarded

and encouraged." The peace declaration is too vague and and does not include obligatory demarcation of the 70 cm. of the 78km of frontier under dispute, he said.

# The headline says it all: "Introducing MGMSF from ED&F Man who brought you AHLCOM."

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It will be obvious to institutional investors: KD&F Man is launching the Man-Glenwood Multi-Strategy Fund, which invests using a number of alternative strategies through a diversified group of performance-oriented managers. They'll recognise it as a significant mediumterm growth opportunity with controlled volatility, noting that Shares in the fund are redeemable on a quarterly basis without charge. Of course, they'll want to know more about the innovative mix of investment strategies that make all this possible. That's what the coupon is for.

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That's obvious, too. It relates to performance of ED&F Man's investment products, and in particular to its Att. Commodity Fund, recently ranked first out of 126 offshore derivative funds by Micropal

They'll actually understand all this from one headline?

These people are very, very clever, you know.

### Florida state sues tobacco industry

By Richard Tomkins n New York

The state of Florida yesterday said it had filed a lawsuit against the US tobacco industry claiming billions of dollars for health costs incurred by the state in treating smokingrelated illnesses.

in an outspoken attack on the cigarette makers, Mr Lawton Chiles, the state governor, said: "This suit sends a loud and clear message to the tobacco industry that it, not the taxpayers, will be held accountable for marketing sickness and death."

The latest legal action comes only days after last Friday's ruling in a New Orleans court that cleared the way for lawyers to bring a multi-billion-doller class action lewsuit against US tobacco companies claiming compensation for nic-

otine addiction. The cigarette manufactur-ers' shares, which had already fallen on Friday in response to the New Orleans ruling, declined further yasterday. Phillp Morris's sbares were down \$2 at \$58% in early trading and RJR Nabisco's were

down \$% at \$5%. The Florida lawsuit is aimed at recovering state money on tobacco products.

spent on treating smoking-re-lated diseases under the Medicaid programme, a health pro-

says these costs amounted to \$1.4bn over the past five years. The state aims to combine all Medicaid cases relating to tobacco use and file them as a class action. If the suit were successful, damages would be divided among the cigarette makers according to their market share.

gramme for the poor. The state

Other states are contemplat-ing similar legal action against cigarette makers and Mississippi has already filed a suit. But Florida last year passed a law called the Medicaid Third-Party Liability Act specifically designed to increase its chances of successfully suing the industry.

On Monday Philip Morris and R.J. Reynolds Tobacco launched a pre-emptive strike against the Floride suit by filing a petition claiming the state's suit was nnconstitutional, Mr Steve Parrish, Philip Morris's general counsel, said cigarettes were a legal product sold by thousands of businesses in Florida. In the past five years the state had collected \$2.2bn in excise taxes and \$800m in sales taxes

#### **Commission** protest by travel agents

The American fociaty of Travel Agents yesterday hit back at big US air carriers who are trying to curb their com-missions on airline ticket sales. Reuter reports from Washing-

The society said it was filing an antitrust lawsuit against tha airlines and accking e restraining order against the commission cuts until the lawsuit can be resolved.

alleging price fixing was being filed following an emergency meeting of the society's board of directors.

Earlier this month United

Airlines and USAir joined American Airlines, Delta Air Lines and Northwest Airlines in moving to curb the 10 per cent commission paid to agents on every ticket sold.

The airlines said they would carry on paying a 10 per cent commission for lower-fare tickets but impose a ceiling of \$25 for commissions on one-way tickets costing more than \$250 (£160) and a ceiling of \$50 for round-trip tickets costing more than \$500.

The society aarlier com-plained that the resulting cut in revenues would have e "devastating" impact on US travel

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### MPs divided over air traffic control sell-off

Aerospace Correspondent

The government should consider turning the air traffic control system into a profit-making state company rather than privatising it, the House of Commons transport committee said

The government proposed in 1993 privatising the Civil Aviation Authority's National Air Traffic Services (Nats), with the CAA remaining a reg-ulatory body and Nats being floated as a private company. The committee

Watchdog

criticises

service

By Andrew Adonis, Public Policy Editor

terday.

Britain'a Immigration Service

needs to do more to cope with

Audit Office - the government

spending watchdog - said yes-

The parliamentary watchdog

the UK for improved management practices to ensure more

efficient "passenger through-

practices had concluded that

"shift patterns do not provide

an optimum match between

assengers who are subject to

further enquiries.

To minimise the number of

such cases, airline and ferry

operators are charged for pas-

sengers brought into the coun-

try without proper documenta-

But the report says £22m (\$34.5m) of the £62m levied in such charges was still ont-

standing at the end of 1993.

The Home Office said yester-day that £62m of the £75m

now ontstanding in charges

had been recovered, an 83 per

recovering the balance will be

"A rigorous approach to

cent recovery rate.

maintained," it said.

resources and demand".

staff at night".

said it was divided on the merits of privatisation, but agreed that the government needed to consider allowing Nats to remain in the public sector, though having the right to borrow money privately.

The committee said several countries bad decided to separate air traffic control organisations from government, creating bodies which were expected to operate in a commercial fashion.

No country had completely privatised its system, although Swiss air traffic control was partly private. New

Zealand and Germany had formed sliowed to do so when most of their shares were owned by the government. British Nuclear Fuels had been the committee said if the government.

The UK Department of Transport had told the committee that it could not accept this alternative, dubbed "corporatisation". Nats' borrowing would still be classified as public borrowing, because it would be backed

by an implicit government guarantee.
The committee said there were precedents for public companies being allowed to borrow privately. British Petroleum and British Leyland, the former vehicle conglomerate, were

permitted to borrow privately to

invest in its Thorp reprocessing plant.
The committee said: "The option of 'corporatisation', we believe, should not be ruled out simply because of Treasury rules which are inconsis-

tently applied."
It added: "Before the government proceeds with its plans, we recom-mend that it publish detailed arguments as to why it does not favour the alternative . . . of converting

ment did go ahead with its plans, the CAA should not be responsible for regulating safety as well as being a privatised Nats' economic regulator. Mr Paul Channon, the committee chairman and a former Conservative transport secretary, said planned annual capital investment of £100m

represented only 4 per cent of the Department of Transport's budget. "It seems to me we could find the extra

### Westland wins defence helicopter deal

An Anglo-Italian venture has immigration | beaten Boeing, says Bernard Gray

> The UK Ministry of Defence has decided to buy the bulk of its new film (\$1.55bn) trans-port helicopter fleet from West-land, the Yeovil-based aerospace company, rather than Boeing of the US.

The decision has to be ratipeak passenger flowa at fied by the cabinet, but with strong backing from the MoD and the Department of Trade airports and to recover fees outstanding from airline and ferry operators, the National and Industry, it is expected to face little opposition. The MoD is preparing papers for the cab-inet, and the result could be announced as early as next

called in a report on entry into The order will be for 20 to 25 of Westland's EH101 mediumsized transport belicopters, put" and to cope with varia-tions in passenger demand. A review of abiftworking developed jointly with Agusta of Italy, and 8 to 10 of Boeing's larger Chinooks, which are needed to lift bulky objects. The Chinooks will be added to the UK's existing fleet of 30. Neither Boeing nor Westland would confirm that a decision

The report notes that "early morning peaks at some Heathhad been reached. row and Gatwick terminals were not adequately staffed and there was a need for fewer The immigration service deals with millions of entries a year, but much of its work is created by the 60,000 to 70,000

Negotiations over the order bave been extremely tough, since the decision is important to both companies. Boeing's Chinook production line in the US is expected to run out of work by the end of the year and the EH101 is expected to

be the mainstay of Westland's future production. The high cost of installing

new training and maintainance facilities for the EH101 aur-prised the MoD, and the Royal Air Force has argued that these would not be needed for the Chinook, which could use existing equipment. There has been strong opposition within the RAF to buying the EH101 and the RAF had been lobby-ing hard for an all-Chinook At a time when the RAF's

over-riding priority is to make sure it gets 250 of the next generation Eurofighter at a cost of £12bn, any money it can save elsewhere is welcomed.

Boeing offered to place 200 per cent of the value of any contract awarded to it as work with companies in the UK if the MoD decided to buy more than 30 Chinooks. Westland was forced to lower the price it offered several times before an acceptable price was reached. Despite the high cost of new EH101 facilities, such intense price competition meant that the final order fell within the MoD's budget.

speculation that the MoD



The EH101 helicopter is regarded as highly versatile by military and civilian operators

might ditch the troop-transport version of the EH101 and place the entire order with Boeing, but the ministry bas apparently always intended to stick to its declared line of buying a mixed fleet.

The EH101 is capable of operating in all weather conditions, unlike the Chinook, and the procurement arm of the MoD is thought to bave been con-cerned about the impact on export prospects for the EH101 if the RAF did not buy the helicopter. The Royal Navy, which is enthusiastic about the EH101, has already ordered 44 EH101s for use in anti-submarine warfare, and may order a second batch. The MoD has invested fibn

in its share of development funding for the belicopter. The total cost of the RH101 programme is put at almost £4hn. Italy, which has a 50 per cent share in the project, has scaled down its original requirement from 35 of the anti-submarine

warfare version of the EH101 to 16. However, it has not yet placed a firm order for any of aircraft, Agusta, the Italian aerospace company which helped design the EH101, makes 50 per cent of the air-

In the civil market the EH101 is being offered as a possible oil-rig crew transporter, partic-ularly for the North Sea. Its ability to operate in very poor weather makes it particularly

### Aviation chiefs are warned of 'green' backlash

Mr Brian Mawhinney, the UK transport secretary, yesterday warned the aviation industry that it would have to pay greater attention to environ. mental issues and to the views of those living near airports,

Michael Skapinker writes. Mr Mawhinney said the airline industry would increasingly confront the sort of environmental issues that the road transport sector had been dealing with for years. He told the

Aviation Club of Great Britain: asked whether he supported "If my sense of the nation is right, all of us are going to have to pay more attention to the environmental consequences of industry for some

years to come."

Mr Mawhinney - whose andience included Sir Colin Marshall, chairman of British Airways and Sir John Rgan, chief executive of airports group BAA - refused to be drawn by questioners who

the building of a lifth terminal at London's Heathrow airport, saying he had been advised he could not comment on the issue. A public inquiry into the terminal begins in May.

Mr Mawhinney said the fears of people living near airports about new developments had to be addressed. In reply to a questioner who said that people who chose to live near air ports should not complain per cent of UK exports by

their complaints were illfounded, Mr Mawhinney said: 'As I used to tell my children when they were growing up, there is no law that life has to fair, Life has to be addressed as it is."

Mr Mawhinney denied that his statements implied a lack of support for the UK aviation industry. He paid tribute to its achievements, noting that 20

air. He reaffirmed the government's determination to support UK airlines by pressing for continued liberalisation within the European Union. He said the government had

strongly opposed French gov-ernment aid to Air France. He said: "I will not take lec-tures that seem to indicate that the government does not appreciate your industry or its contribution to UK plc."

UK NEWS DIGEST

### Peace strategy for Ireland to be launched today

The British government was bracing itself last night period of political brinkmanship and friction in Nor Ireland as it prepared for publication of the framework ment proposing a constitutional settlement for Nov Ireland. Mr John Major was bolding an unscheduled n near Belfast, the Northern Ireland capital, with Mr Bruton, prime minister of the Irish Republic, to e last-minute plans for today's launch. Both leaders' c gave the final go-ahead to the proposals at special: yesterday. There was no dissension around Mr Major's yesterday. There was no dissension around Mr Major's

Ministers and Conservative backbenchers conducted

Ministers and Conservative backbenchers conducted ish round of meetings in an attempt to reassure it ireland unionists and members of their own party the had been no "self-out" to the republic.

Unionists leaders maintained their barrage of denungainst the document, with the Rev Ian Paisley, leade hardline Democratic Unionist party, calling it a "declar war on the union [with the UK] and the unionist peopwas speaking after 30 minutes of talks with the primeter. "My worst fears are realised." Mr Paisley added.

Mr James Molyneaux, leader of the larger Ulster Union whom Mr Major depends for his Westminster majorit, the document was "a major part of the problem instead

the document was "a major part of the problem instead basis for solution". Mr Major told the Commons that could take place on the basis not only of the frame could take place on the basis not only of the frame document but on other proposals, such as the Ulster Unists', who unveiled a policy document of their own yester. The main sticking point, es it has been throughout the pumonths of the process, are proposals for a North-South body co-ordinate and harmonise institutions on both sides of the Irish border. John Kampfner, Belfast

Design row over ovens

Creda, the white-goods manufacturing subsidiary of GEC of the UK, is being sued for allegedly copying the design of another company's specialist oven. The action, being brought by New World Group, market leader in built-under double ovens, might force Creda to withdraw its product line to make it distinguishable from the New World "Twinline" range.

Creda said it would defend the case "vigorously".

New World was bought in January by Merlom Domestic

Appliances, the Italian white goods group. Rivalry between

New World and Creda led to a legal row last week when negotiations between New World managers and GEC's patents department broke up without agreement. New World lawyers now claim that Creda had already sold more than 400 ovens similar to the Twinline range even before the negotiations

Cable offer to schools

UK cable television companies are offering schools free connection to the information superhighway in a gesture which could cost them up to £100m over the next few years.

The companies, chiefly US owned, are members of the Cable Communications Association, This week its board agreed to offer a free standard connection - running cable from the network onto the school premises and to a set-top box which decodes the signals for display on a conventional lelevision to every school close to their networks.

Only some 350 of the UK's 25,000 primary and secondary schools are currently connected to a cable network. Alan Cane

Lord Alexander

In yesterday's article about Lord Alexander, chairman of National Westminster Bank, the figure quoted for his total renumeration package in 1993 was incorrect. It should have



#### PROPOSED MODIFICATIONS OF THE CONDITIONS OF THE LICENCE OF BRITISH **TELECOMMUNICATIONS PLC ("BT")**

1. The Director General of Telecommunications (the "Director") in accordance with section 12(2) of the Telecommunications Act 1984 (the "Act") hereby gives notice that he proposes to make modifications to the licence granted to British Telecommunications on 22nd june, 1984 (the "BT Licence"). The effect of the modifications which the Director proposes to make are set out in the following Schedule.

2. The Director proposes to make the modifications for the

(a) the availability of number portability - the ability of a customer to keep a telephone number if he changes from one provider of telecommunications services to another - has been shown to be a significant factor in promoting competition in the supply of such services;

(b) although the BT Licence makes provision for the introduction of number portability in certain circumstances, the important question of allocation of the costs of introducing such a service is excluded from the Director's powers of determination (c) in the absence of such a power, progress in introducing

number portability is being significantly impeded. In the Director's opinion, number portability needs to be introduced into the UK as quickly as possible and with a cost-distribution which fairly reflects the distribution of benefits to telecommunications customers as a

(d) in addition, developments in the provision of telecommunication services since the BT Licence was modified to cater for the provision of number portability, have indicated a need for portability to be provided in accordance with an industry-wide specification and to widen the scope of number portability beyond simple exchange-line portability.

3. The Director is regulred by section 12(2) of the Act to consider any representations or objections which are duly made and not withdrawn.

4. Representations or objections to the proposed modifications may be made to: Alex Blowers, OFTEL, 50 Ludgate Hill, London EC4M 7|| (relephone 0171 634 8798) no later than 22nd March 1995. Copies of the proposed modifications may be obtained from Peter Hammond at the above address (telephone 0171 634 8830).

All responses will be publicly available, on receipt, in the Oftel library unless clearly marked "confidential".

SCHEDULE PROPOSED MODIFICATIONS TO **CONDITION 34B OF THE BT LICENCE** 

The existing condition 34B of BT's licence allows, at paragraphs 348.11-15, for the introduction in a geographical area of number portability (defined as being enabled to retain a telephone number at an address if a person arranges for an exchange line to be provided by an operator other than BT, and vice versa), following the completion of a cost-benefit analysis which shows a net benefit from its introduction outweigh the likely costs. Such an analysis has been carried out and provided the requisite indication. Paragraph 348.15 of the condition allows for BT to recover from other operators the "reasonable costs" incurred in providing, inter alla, number portability. But it does not specify how these costs are to be measured or allocated. On this point, the proposed modification would introduce a power for the Director to determine the charges levied by BT on other operators to provide number portability. Any such determination would not permit BT to recover from other operators its costs of establishing the basic ability to provide portability of numbers (the "set-up costs"), nor could BT wholly recover from one other operator, the costs of routing a ported call within the BT system which are over and above those which are incurred in routing an ordinary call (the "additional conveyance costs").

The modification also expands the definition of number portability to encompass mobility of the customer to another address either at the time the telephone number is ported to another operator, or subsequently, and obliges BT to provide portability in accordance with an industry-agreed functional

The modification also allows for the introduction of number portability in respect of "non-geographic numbers" - numbers which are associated with a particular service, such as freephone and personal numbers. Other operators would be able to ask 8T to port a number of this kind which was of a category specified in a list by the Director, where a customer wished to take a non-geographic service from that other operator rather than BT.

In addition, the modification allows for a simplification of the procedure for introducing number portability. This will no longer require a direction to the parties involved by the Director, but will be at the request of the other operator, subject to that operator being willing to enter a reciprocal agreement to provide number portability to BT, and to the technical feasibility of the request.

#### **CONTRACTS & TENDERS**

THE UNITED REPUBLIC OF TANZANIA TANZANIAN ELECTRIC SUPPLY COMPANY LIMITED (TANESCO)

ANNOUNCEMENT OF BIDDING FOR THE FAST TRACK TURNKEY SUPPLY OF AN EMERGENCY POWER GENERATION PLANT

The Government of Tanzania (GOT) has applied for financing under the Power VI Project (Credit 2489-TA) from the International Development Association (IDA) for the fast track, Turnkey supply of an Emergency Power Plant (EPP).

TANESCO, through its Project Manager, Ocelot Tanzania Inc./TCPL Tanzania Inc., is seeking bids from qualified international power station contractors for the EPP under bidding procedures in accordance with the World Bank's Guidelines for Procurement

The EPP will be crected in Dar es Salaam, Tanzania and the principal requirements are as follows:

Power output of 60 to 100 MW at site conditions.

No fewer than 2 simple (open) cycle gas turbines producing 60 MW. New equipment, including identical gas turbines.

Commercial operation within five to six months of the signing of a turnkey

Scope of supply to include design, engineering, equipment supply, installation, and commissioning of the power plant and ancillaries.

Bidders must have successful international or equivalent experience with the turnkey design, supply, erection and commissioning of equipment similar to that being offered, within the last 5 years. The model of gas turbine unit proposed should have a minimum of 8,000 hours of operation in a similar plant environment and the Heat Rate shall be no greater than 12,000 BTU/kWh (LHV) at site conditions (50m. ASL, 32°C, 95% R.H.). The units shall be configured to operate on both liquid fuel and natural gas.

Bidders will be required to supply a bid bond of SUS 1 million.

Bid documents will be available March 6, 1995, or shortly thereafter, for a nonrefundable sum of US \$300 in the form of a certified cheque payable to TCPL Tanzania Inc., or cash. Bid documents will be available from:

TCPL Tanzania Inc. c/o TransCanada PipeLines Limited 55 Youge Street, 8th Floor Toronto, Ontario MSE 1J4, CANADA

416-869-2127

416-869-2196

Telephone:

Interested firms should submit correspondence details to TCPL Tanzania by fax. and in turn they will be notified of the document availability date by fax. On receipt of payment and instructions from Bidders, TCPL Tanzania will hold the bid documents for pickup or promptly dispatch them by registered airmail or by Bidder, specified courier, but under no circumstances will it or TANESCO be held responsible for late delivery or loss of documents so transmitted. Bidders will have 28 days after the earliest date on which bidding documents are made available to submit their bids.

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### The state of the s Union freezes staff pay as deficit grows

By Robert Taylor, Employment Editor

MSF, Britain's fifth-largest union, has imposed a staff pay and recruitment freeze, spending curbs, a ban on overseas travel and wants a 4 per cent cut in staff by the end of the year to combat a rising finan-

The 480,000-member Manufacturing, Science and Finance union, hit by a continuing fall in membership, has been running a monthly deficit on its current account since November. Mr Roger Lyons, MSF gen-eral secretary, has written to the union's full-time staff saying the union had deficits of £167,000 (\$256,000) in November and £184,000 in December, with the prospect of more deficits

this year.

Cuts have been imposed in an effort to return the finances to balance by 1996.

Unity Trust Bank and Co-operative Bank jointly provide the union with a £9m loan facility. The union's debt repayment plan, which bas reduced the overdraft from £14m in three years, has been hit by rising UK interest rates, though Unity Bank said yesterday the union was still operating within its facility.

The union has lost 5 per cent of income from members who did not sign up to have their subscriptions paid from salary. Membership has also fallen because of job cuts across man-

A struggle for control of Ucatt, Britain's largest construction union, will be decided in the High Court next week. The union'a full-time four-man executive committee are challenging their suspension by Ucatt's general council, which claims to be the union's highest governing body. Union members agreed by an 87 per cent majority ballot vote at the end of last year to replace the full-time executive with one made up of lay members.

ufacturing and the public services and more recently insta-bility in the financial sector.

Mr Lyons and the union's executive have implemented a number of "firm financial management" measures in an effort to prevent compulsory redundancies. These include a freeze on recruitment of full-time or part-tima staff; a voluntary redundancy scheme to cut personnel costs by 2 per cent by June this year with a further 2 per cent reduction by the end of 1995; suspension of pay negotiations with staff, to be "resumed when the union's central finances improve;" and an increase in membership subscriptions from January

Mr Lyons says he regrets the need for drastic ection but insists "it is in everyone's interests to take this action to

### The rise of the polite inquisitor

The Nolan committee into standards in public life ends its public hearings tomorrow. John Kampfner looks at what it has achieved

The setting is quintessentially British. In a low-ceilinged back room in Westminster's Methodist Central Hall, 10 men and women, the great and the good, have spent the past two months cross-examining politi-cians, civil servants, industrialists, journalists and academics. Rarely has a voice been raised.

have been the order of the day. Yet with the Nolan committee on standards in public life due to end its public hearings tomorrow, anxiety is mounting in government about the scope of the changes it is poised to

Politeness and understatement

Mr John Major, tha prima minister, set up the committee last October in the wake of allegations that some MPs were willing to question ministers in parliament in return for cash from businesses. He envisaged a panel that would advocate small-scale reform of parliamentary and ministerial

But the government has been taken by surprise at the rigour with which Lord Nolan and his colleagues have set about their task. The result has been a full-scale examination into the way Britain is governed. For all the demure behaviour, the British political

establishment has been on trial. The committee has confined itself to three main areas: MPs and their lobbying on behalf of outside interests. • the private-sector johs

taken by many ministers after they leave the cabinet, and the so-called "quangocracy" - the unelected non-departmental public bodies which play a prominent role in the UK's political and economic

One of the first witnesses, Lord Blake, the historian of the Conservative party, described the current level of probity as the lowest since the Edwardian era which ended in 1910. Such comments helped set the tone.
After only three days, Lord

Nolan said he would look into how to work an "independent element" into the regulation of MPs' outside interests and conduct. The message was clear his report, due in May, would be no whitewash.
The committee is likely to

conclude that retiring ministers will have to seek clearance from a panel of MPs and other public figures before taking up a job in the private sector. A "quarantine period" of two years is on the cards. MPs would also face more stringent procedures to ensure their

Commons work is not compromised by contact with outside interests. Such recommendations are seen as the bare mini-

mum that is required. Lord Nolan has gone out of his way to avoid discussion of individual misdemeanours. He has eschewed the pugnacity of Lord Justice Scott and his arms-for-Iraq inquiry, whose report, also due in May, is expected to cast doubt on the positions of a number of minis-

Some Conservative backbenchers have become increasingly worried at the ease with which Labour has been able to capitalise on the issues stirred up by the Nolan committee.
The MPs include in that cate-

gory the issue of top people's pay. This is not in the commit-tee's remit. But the government's unconvincing handling of the matter has compounded the widespread perception that it is unwilling to take the lead in the current debate on ethics

Some action has already been taken by the government to address concern over standards in public life. A new code of conduct for civil servants was recently issued, following pressure from MPs, while amid public concern about quangos.

received more complaints about Tory "placemen" on health service trusts than on any other subject.

For the advocates of radical action - some of whom are on the committee - the government's reforms are too little, too late. Politicians, they argue, are subject to fewer controls than members of other trades.

A wide range of proposals has been put to the committee as it has gone about its work, some imaginative, some proba-hly unworkable. One MP called for an all-powerful Ethics Registrar. Other witnesses have spoken of the need for an ombudsman to work alongside

parliamentary committees. Some have called for a con-stituents' charter, with benchmarks set for the number of constituents' complaints
answered by MPs, the minimum waiting time in surgeries
and the number of speeches or appearances in the Commons. Others have called for parliament to be policed by an outside regulator, just like the pri-

vatised utilities are. The calls for MPs to be prevented from having any outsipated, Committee members



Lord Nolan: tough investigator of "sleaze" lu political life

were awayed by testimony from MPs of all sides who argued that neither the experi-ence, intellectual vigour nor prohity of the chamber would be enhanced by cutting itself off in this way from the out-

side world. Instead, the committee is likely to draw a distinction hetween giving advice to an outside client in an informal capacity and acting as an advocate. Advocacy would be defined as putting down parliamentary questions or arranging meetings with ministers. The government will not have heard the last of the com mittee when it delivers its report in May. It has a remit to examine standards of conduct "of all bolders of public office" and to make recommendations for any changes in present arrangements which might be required" for a period of three

years.

This should give these erudite arhiters of the nation's ethics plenty of time to cast their net more widely. The issues of patronage, the honours system and the funding of political parties may all in time come under their gaze.

### **Investors** in new market win tax breaks

By Richard Gourlay

Stockbrokers and investors in private companies yesterday welcomed the government's decision to allow investors on the London Stock Exchange's new Alternative Investment Market to be eligible for a range of tax breaks on investments in unquoted companies.

Mr Loughlin Hickey, partner at KPMG, the accounting firm, said the decision was a "great boost for the market".

Sir George Young, financial secretary to the Treasury, told representatives of the Venture Capital industry on Monday night that Aim companies would qualify for the tax reliefs when the market opens

The reliefs, including inheri-tance tax relief, capital gains tax re-investment relief and reliefs under the Enterprise Investment Scheme and for investments in the new Ven-ture Capital Trusts, are being made availabla to investors in other unquoted companies.

The decision removes an anomaly from the detailed proposals for the market which the Stock Exchange announced

the government had confined the tax reliefs to companies not quoted on Aim, many more companies would have chosen to remain off the market.

The government's decision comes as competition is botexchanges trying to set up markets catering for the special needs of dynamic young

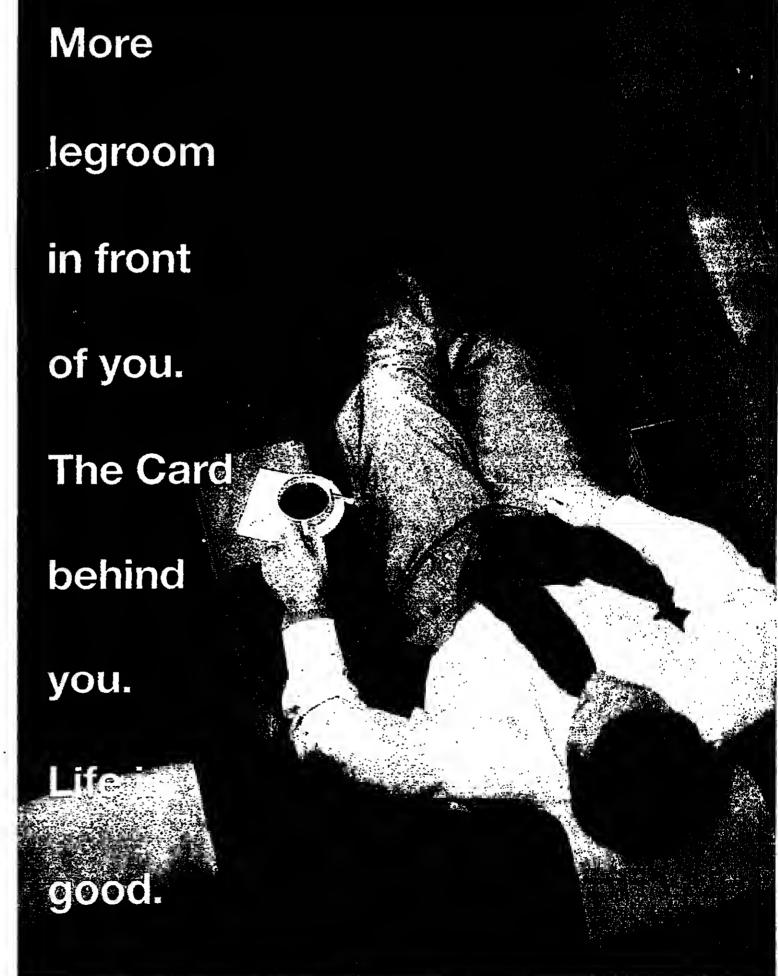
Following the London Stock Exchange's move, the Paris bourse announced on Monday its intention to launch a new stock market for small, fastwhich it hopes to open at the

start of next year.

A committee of the Societa des Bourses Françaises, which runs the French market, is expected to announce detailed rules of the market by the

Autumn. The Paris Bourse is also part of a consortium including the US Nasdaq market, and the European Venture Capital Association which is working towards setting up its own Europe-wide market for internationally minded high-growth







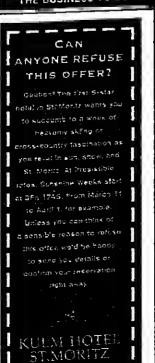
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#### **BUSINESS AND THE ENVIRONMENT**

### Politics of a UN action plan

Peter Knight on the North-South split on environmental policy

he issue of how to produce and consume goods without fatally depleting the environment is being debated in earnest hy governments and business as part of a United Nations initiative to develop practical policies on sustainable

A ministerial round table on the subject, held recently in Norway, generated a work programme which could be adopted by the UN Commission on Sustainable Development (CSD) in April.

Although the CSO - set up after the Rio Earth Summit in 1992 has little clout within the UN, its decisions could nevertheless prove significant for husiness if taken up by member states.

This is because policies designed to encourage sustainable production and consumption will force radical change on industry. The UN has already brought about such change, for example, in the banning of CFCs and international agreements to reduce carbon

dioxide emissions. "The key question is how to incorporate the real cost of pollution and depletion into our classical economic indicators." Ritt Bjerregaard, the new European Commissioner for the

Environment told the conference. Some of the actions proposed in Oslo to encourage efficiency, minimise pollution and reduce the use of natural resources include: Incorporating environmental costs into the pricing of goods. Extending the responsibilities of producers for the environmental impact of their

 Getting governments to operate environmentally sound procurement policies.

These proposals, while sufficiently radical for many in industry, are considerably softer than the change demanded by poor countries (referred to as the South) and their supporters in the non-governmental organisations (NGOs) in the rich North.

The South wants the North to sacrifice its high consumption patterns (OECD countries contain 20 per cent of the world's population and consume 80 per cent of its natural resources) and spread its wealth to the poorer

countries. The North does not

support this argument at all. There is a growing confidence in the OECD countries that major changes in production processes and in consumption patterns can be achieved without threatening economic prosperity and standards of living," Bill Long, director for environment at the

OECD told the conference. There is a new feeling that industry can get it right, that the most eco-efficient companies can also be among the most profitable, and that economic growth can be de-coupled from levels of resource

use and pollution," he said.
This reflects the approach being taken by the World Business Development (WBCSD). It is trying to present the arguments in such a way that husiness will see proposed changes as an

opportunity rather than a threat. The presence in Oslo of ministers from China, Korea, the US and European countries, as well as delegations from the OECD and the WBCSD, shows the matter seriously. But the debate is still locked in hroader political issues and there are few practical suggestions on how to move forward. "The idea has huilt up a hig head of steam, but there is very little substance," said one government adviser.

Long says OECD member states are committed to the issue. "There is a mind set in our organisation and among others to help us move ahead. But there is a chance that it could all break down in North/ South politics."

As if to support this fear the International South Group brought to Oslo with all expenses paid by the host nation issued a statement at the end which accused Norway of using the group's presence to "add legitimacy to the Oslo process".

The statement continued: "It is clear that the captains of industry and the power holders of the global system have managed . . . [to] legitimise the

continuous pillage of the world's people and its resources ... nothing bas changed, nothing will."

Haig Simonian on the potential offered by supercritical water treatment of sewage

# Alchemy of sludge

millennium ago, Mike Modell would have been dubbed an alchemist. Although his process to treat wastes does not make gold, he helieves its success in turning a variety of chemicals into reusable materials and clean water will one day shine as hrightly. Modell, a former professor at the Massachusetts Institute of Technol-

ogy, decided to go it alone in 1990.
With a clutch of colleagues, he reckoned that supercritical water oxidation – a well-known but underresearched phenomenon - had been

inadequately investigated.
Understanding of supercritical
water is not new. Scientists have recognised that heating water beyond 374 deg C and pressurising it to more than 217.7 atmospheres enables it to break down complex organic compounds into simpler

chemical building blocks.

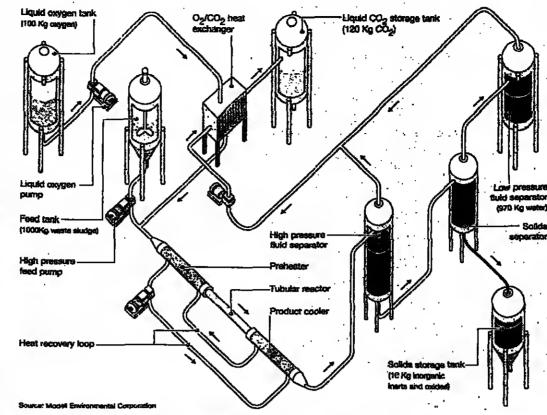
The problem is that while the magic temperature dissolves organics, it makes salts insoluble. Dealing with the salts has been the hurdle to harnessing supercritical water's potential. The salts can damage pipes and vessels and reduce their lifespan. The existence of solids can also clog and corrode valves and piping where flows are constricted.

The fallure of scientists to eradicate the salts explains why supercritical water has been largely ignored, says Modell. Although widely written about, few researchers have pursued it on the labora-tory bench. Ohvious users, such as plant engineers and chemicals companies, have remained aloof.

Modell believes he has the salts licked. Through his company, Modell Environmental Corporation (Modec), he has taken out patents on overcoming the problems associated with supercritical water oxida-

Now he is poised to go further. At a pilot plant at the Fraunhofer Insti-tut für Chemische Technologie near Karsiruhe in southern Germany, Modeli's team is trying to prove that its technology works. Siegfried Mayr, a Modec executive

with a background in chemical engineering, is convinced. "The technology has already worked on the lab bench," be says. "Now we have to prove it can he scaled up." The pilot plant, housed in a but in the iCT's grounds, is still being tested. So far, It has been fed wastes ranging from pharmaceuticals residues to foul-smelling sewage sludge. The plant has run smoothly. Waste is first heated with oxygen in The Modec process



a long, three-stage reactor tube. It is there that the supercritical water breaks the raw material down into simpler chemical oxides. After heating and cooling, the by products are clean water, clean carbon dioxide gas and, in the case of sewage sludge, n an odour-free brown powder. As the system is completely sealed, there are no other emis-

Modell believes there are dozens of applications. Sponsorship for the pilot plant came from the Baden-Württemberg state government and three German pharmaceutical companies seeking new methods of tackling their wastes, Normally, their residues would be burned in high-temperature incinerators. But obtaining planning permission for these has become increasingly difficult in Germany because of con-cerns about emissions of dioxins, which may cause cancer and birth defects.

The US defence department has financed research for its huge stockpiles of chemical weapons, while other potential users include pulp and paper mills and chemicals companies, which must deal with contaminated acqueous waste flows.

Modell believes sewage treatment offers the most commercially interesting application, especially in Europe. "Supercritical water oxidation is cheaper and more effective for dealing with sludge than any alternative," he says. Modell argues that the technique

costs half as much as incineration the most competitive alternative at \$250-350 per dry tonne containing 10 per cent solids compared with \$450-650 for combustion (including

costs of stack scrubbing).
But does it work? The Karlsruhe pilot plant has been running since May 1994 and has processed up to 1,500 litres of acqueous wastes a day. It has provided engineering and design data for building a full-scale commercial unit. So far, destruction efficiencles (rates of eliminating unwanted substances)

**CONTRACTS & TENDERS** 

have exceeded 99.99 per cent. But it must prove it can run continuously for at least 120 hours without huilding up significant pl8salts, says Horst Krause, head of high-energy systems at the ICT. "The chemistry works, but there are still some hurdles," he says.

A dour scientist, Krause will be tough nut to crack. Modell is confident his brainchild will work smoothly, especially with new cleaning techniques that scrub out its heat exchanger without stopping production.

If Krause and his colleagues are convinced, the future for supercritical water oxidation could be rosy. Endorsement from the ICT would be a powerful marketing tool in Modec's plans to obtain additional development finance, It would also help to persuade the pharmaceutical companies to build a demonstra tion plant at one of their sites. Modell hopes to float his company by 1997. If all goes to plan, it could

be worth its weight in gold.

### Putting waste to good use

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C ewage sludge may never smoll as sweet as fresh roses. But its potential qualities should not be dismissed, whatever its olfactory defects.

More than 900,000 dry tonnes of

sewage were produced in England and Wales last year. Its composition varied depending on local dietary and household activities and, to a lesser extent, industrial and commercial discharges.

Between 50 per cent and 75 per cent of the dry matter was organic 5-10 per cent was grease and the remainder comprised inorganic compounds such as nitrates and

Just over half was used as fertilisers in agriculture. Of the remainder, 22 per cent was disposed in the sea, 11 per cent used as landfill while 9 per cent was incinerated.

Both landfill and sea dumping are environmentally controversiat and increasingly expensive. Germany has restricted landfill of organic compounds; other countries are thinking along similar lines. Even where landfill is still permitted, higher standards mean that prices have climbed. Landfill is also limited by the number of suitable sites.

Dumping at sea, meanwhile, is being restricted because of environmental concerns and ocean treaties and is being phased out in many countries.

Some ntillties, such as the UK's forkshire Water, are turning to inclneration. With the lutest combustion technology and suitable scrubbing filters for flue gases, sludge can be burned without releasing toxic dioxins to the atmosphere. Incineration can also produce steam for local

heating or electricity schemes. The drawback is the cost. Incinerators only make sense in urban areas. Elsewhere, transport charges and the environmental impact of frequent sludge deliveries makes them uneconomic and unattractive.

Environmental concerns over incineration have also made planning procedures cumbersome nd few residents want an incinerator in their backyards.

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#### AN INVITATION FOR PRODUCTIVE INVESTMENTS IN THE ANCIENT PORT AREA OF GENOA

The Genoa Town Council hereby gives notice that the joint-stock company "Pono Antico Genova" will lease the port area, prepared for the Columbus exhibitions in 1992, for a new, integrated use with city life. Briefly this is:

a total area of 150,000 sq.m., 65,000 sq.m. of which usable buildings; 70,000 sq.m. stretch of water with boat moorings.

The existing areas consist of:

for 15,000 sq.m., an international acquarium, already operating, which registered 1 million visitors in 1994;
 for 32,000 sq.m., buildings restructured by the architect Renzo Piano, formerly used as coltan warehouses;

for 6,000 sq.m. four restructured 17th century buildings;
 for 7,000 sq.m., a modern building adjacent to these;

for 5,000 sq.m., with a deck of 3,000 sq.m., "Nave Italia", a naval structure anchored at the jetty;

open spaces destined for public displays and shows.

A congress centre – already operating – has been realised in the former cotton warehouses and has a conter-ence hall seating 1,500. The rest of the former cotton warehouses, not occupied by the Congress Centre, is divid-ed into 8 units each of 4,000 sq.m. on four floors. The company "Porto Antico Genova" will grant the available spaces, at market conditions, to those who are willing,

under contract, to undertake the realisation of one or more of the following objectives inspired by the global strategy

"The world of the sea, a sea of discoveries" Fantasy, Games, Music. Sports, Meetings, Travel, Entertainment, Research, Science, Technology, Culture, Communication. Memory of the ancient city. Wonders of the future.

Parties interested in realising initiatives within the above mentioned strategic organisation can, within 20 days of the publication of this notice, write to or fax:

> Porto Antico Genova S.p.A. Palazzo Serra Gerace Via di Sottoripa 5 - 16123 GENOA (Italy) - Fax: + 39 10 290719

The letter must indicate the general lines of the proposed project and any other element which could be useful for a preliminary selection of the initiatives considered worthy of further examination with the proposer, in such a way to subsequently reach a final decision, the method to be defined but to be based on the maximum transparency, which will be made according to the irrevocable judgement of the company "Porto Antico Genova".

If considered necessary, further information and illustrative documentation can be requested by fax from "Porto Antico Genova"; the above mentioned deadline, however, is still to be observed.

A reply, whether negative or provisional, will be sent to all candidates by April 30th 1995.

The candidatures already sent to Porto Antico do not necessarily have to be represented as indicated above, unless the interested party wishes to supply further information.

P.S. For reference, it is hereby specified that the rentel market presently values the areas at LIT 150/250,000 per sq.m. annually, relative to the position and the type of building. Utility costs and ordinary maintenance fees are to be added to this sum.

Comune di Genova - Italia

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#### INVITATION TO TENDER



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- For 118,953 shares of "DALMACUACEMENT" d.d. in the nominal face value of 1,000 German marks per share, to be sold from the total amount of Equity of 280,000 shares of "DALMACUACEMENT" d.d. Kastel Sucurac, Croatia.
- 2. The interested parties are invited to submit their bids in writing within 15 (fifteen) days from the day of publishing of this tender, to the address of:

DALMACUACEMENT dd Cesta b.b. **Kastel Sucurac** Republic of Croatia

with notice "for the tender for sale of shares".

- 3. The buyer is asked to submit, besides the price and the conditions of payment, the acceptance of the following obligations:
- (a) That within 5 (five) year he shall invest in environmental purification, in advanced technologies and in modernisation of equipment of the three cement factories with appertaining mines, in accordance with the Programme of "DALMACUACEMENT" d.d. a sum total of 120,000,000 German marks (one hundred and twenty million), provided at least 20,000,000 (twenty million) German marks is invested per year.
- (b) That he shall accept the Programme of "DALMACUACEMENT" d.d. regarding the social protection of the surplus workforce.
- (c) That he shall not reduce the production capacities and that he shall guarantee a certain level of
- Preference in the Tender is to be given to the party that grants at disposal of "DALMACIJACEMENT d.d. a loan amounting of up to 15,000,000 (fifteen million) German
- The documentation regarding this tender may be obtained at the Offices of "DALMACUACEMENT" d.d. Kastet Sucurac, Cesta h.h. on working days from 9.00 a.m. to 2.00 p.m., within 15 (fifteen) days from the day this tender has been published.



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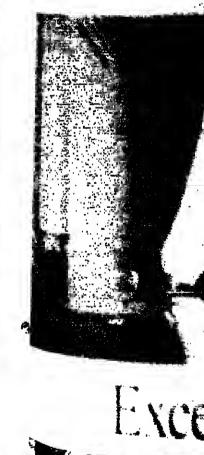
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FINANCIAL TIMES WEDNESDAY FEBRUARY 22 1995 ★

#### FINANCIAL TIMES SURVEY

# International Conferences & Exhibitions

Wednesday February 22 1995

A spate of new building projects is getting under way as the industry, with its confidence renewed, prepares to meet the needs of ever more demanding customers, writes Diane Summers

### Showing signs of recovery

s the conference and exhibitions business starts the long climh back to health, it has become clear that the recession, as in many other sectors, has etched permanent changes in the landscape. Simply put, the customer now expects more bangs for the buck, and is likely to continue to do so, even if expenditure on events carries

As in all areas of marketing communications spending, the emphasis is increasingly on the measurement of effectiveness, targeting and accountability. Clients feel confident about demanding greater quality without necessarily paying a higher price.

Business certainly does appear to be picking up world-wide and renewed confidence, plus customers' changing technological needs, has resulted in a spate of vast building pro-

In the US, for example, the largest convention centre, Chicago's McCormick Place, is scheduled over the next two years to expand by a third. The centre, which hosts among other events, the Chicago Automobile Show, with over 1m guests, is booked almost solid for five years, and has reservations to the year 2010.

The development of Asia-Pacific economies has meant that events are increasingly likely to be held in that region. International exhibition and convention visitors to Australia, for example, rose by 28 per cent last year. Sydney's Darling Harbour centre is operating flat out to accommodate exhibitions, and there are proposals for new building which would double floorspace.

Hong Kong saw a 48 per cent increase in the number of cor-porate meetings held in 1992 (the latest year for which figures are available), while

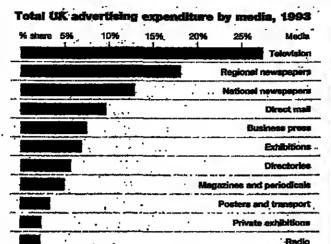
up 23 per cent that year. The government has earmarked HK\$4.8bn to extend the Hong Kong Convention and Exhibition Centre on Hong Kong Island. Meanwhile, in Singapore, a S\$600m International Centre is about to open.

In Europe, London Docklands hopes to be able to compete more vigorously with other European centres hy 1998, when the first £100m phase of an exhibition and conference facility is due to be

Worldwide figures for the conference and exhibition industry are not collated, but in Britain, for example, the incorporated Society of British Advertisers, which has been collecting exhibition expenditure data from its members for years, reports that spending British companies was up per cent to £630m in 1993, the latest year for which fig-ures are available, after having fallen by 11 per cent between 1989 and 1992,

Research conducted for Confex, the meetings and events exhibition which opened at Earls Court, London, yesterday indicates that 29 per cent of organisers have spent more on conferences during 1994 and 22 per cent have increased their spending on exhibitions

The industry's fortunes have shown themselves to be "late cycle" in most countries, with recovery generally following 18 months or so after the wider pick-up in the economy, according to Mr Neville Buch. chairman of Blenheim, one of the largest exhibition organising groups. The company was particularly hadly hit in France, where the amount of space being booked for exhibitions has declined by over 20 per cent in the past two years, he says.



The time lag is particularly pronounced in those sectors where exhibitions and related conferences are held only every two years, for example agricultural machinery and ectronic components. Here, it may take a full four years for recovery to become apparent. But in other sectors which are closer to the high street and have records of high product innovation, such as information technology and clothing, the pick-up has been faster.

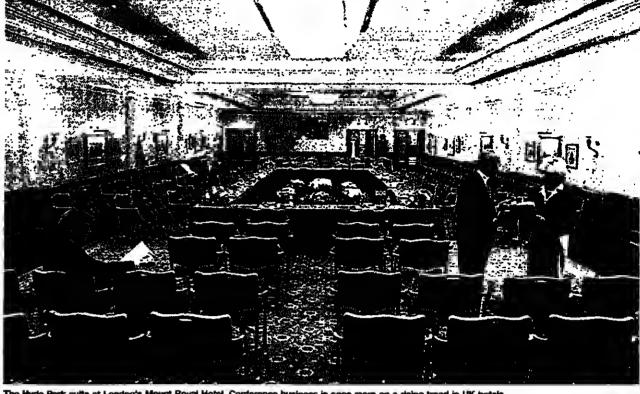
Hotels, too, are beginning to report improvements in conference business. For example, Mr Alex Stuart, UK southern operations manager of De Vere Hotels, says that about half of all bookings are currently for conferences. Five years ago up to 65 per cent of all business was conferences, dipping to 35 per cent or so during the leanest times.

While those who argued that the exhibition and conference sector would be relatively impervious to recession have

been proved over-optimistic, it appears that the sector is continuing to take market share from other media in the UK. However, it may have achieved its full potential in some countries, including Germany and the US. A decade ago the sec-tor accounted for about 4 per cent of all promotional spending in the UK, a figure which has climbed to just under 10

per cent. Says Mr Paul Swan, group managing director of Spectrum Communications, one of the largest corporate event producers in Europe: "We have a number of clients who have taken money ont of advertising budgets and handed it to us for conferences and exhibitions. With limited money to spend, they realise that, in certain circumstances, it's possible to achieve far greater effect by spending on a highly-targeted event than on advertising.

Indeed, in some emerging markets the exhibition may be the only way for suppliers to



The Hyde Perk suite at London's Mount Royal Hotel. Conference business is once more on a rising trand in UK notels

reach potential customers tain a high incentive element. because there is often no established trade press, says Mr Buch, in Moscow, for example, there are currently seven or eight building exhibitions each year, although it is expected these will consolidate to one or two over the next five years.

he importance of the company conference to motivate staff, effect organisational change and communicate the corporate message has become increasingly recognised, says Mr The greater the part played by computers in management - many field sales forces, for example, now communicate with their supervisors largely by electronic mail - the greater the need to gather in person from time to time to emphasise that every-one is "in the same team, on

the same mission," he says. For sales forces, in particular, the conference may con-

The "jolly", perhaps to an exotic location, has certainly been scaled down in recent years: it is poor public relations to take some of the workforce to, say, Hong Kong, while making others redundant.

But, as sales forces themselves have been slimmed down, the issue now becomes how to motivate those staff wbo are left, and the incentive conference is starting to reappear. Says Mr Swan: "We have run a number of conferences recently where the message has been 'If you're in this room now, you are part of our future'

Ways of making such incentives more affordable include scaling down the size of conferences, making them sborter and picking economical locations. The trend for all types of conferences is for them to be beld over fewer days. Mr Mark Wallace, whose

company Mark Wallace Associates focuses on the production

of smaller conferences, is finding that Spain and Portugal are particularly popular desti-nations for sales events, and that longer-haul flights are still being eschewed on grounds of

Companies also seem to have cut down permanently on food and drink at conferences. according to Mr Stuart, "Alcohol is definitely out at lunchtime now. On food, about four years ago, at association conferences you'd stuff them silly at lunchtime and then in the evening you'd give them a massive five-course meal," be says. Now it's a two-course lunch, and the cakes with afternoon tea and biscuits at the coffee break have largely

disappeared. There have been permanent changes, too, in the exhibition sector, says Mr Reg Best, exhibition specialist at the Incorporated Society of British Advertisers. During the recession exhibitors reduced their participation in events, took less

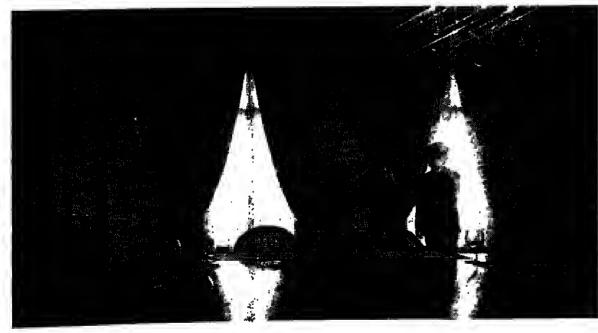
space, increased their use of modular displays which could be reused, and drove down rates by making their bookings later and later. in his view, customers will retain their power to negotiate as the recovery proceeds and there will be no return to the kind of price inflation which hit all

advertising media during the There has also been a decline over recent years in the large industrial exhibitions covering. for example, mining and offshore drilling and a move to smaller, specialised events. At the same time, consumer and leisure exhibitions - catering for skling, holidays and other leisure and home activities have seen growth, as have private exhibitions held in show rooms, shopping centres and stores. Information technology and the impending "information superhighway" are the other obvious areas for contin-

ued exhibition development,

savs Mr Best.

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Where Britain is lagging behind

#### urku, the wintry Baltic Sea port, does not spring to mind as a leading conference venue. Against competition from the likes of Acapulco. Venice and Strasbourg, most conference delegates would probably not be able to place it, let alone rate it as a worthy destination.

The Finnish ferry bub, bowever, not only attracted more international conventions than those exotic locations but also outperformed self-proclaimed conference leaders such as Birmingham, Toronto and San Francisco, according to last year's venue survey by the international Congress and Convention Association.

The association, which compiles information on international meetings attended by more than 100 delegates, also placed Finland among the world's top 15 countries in terms of the number of events hosted in 1993

Although distant locations including Havana, Stresa in Italy and Chiha in Japan have all joined the ICCA's league tables in recent years, the convention husiness continues to be dominated by western European cities which have invested heavily in modern confecence centres and can rely on lasting popularity

Market leaders such as Vienna and Paris owe moch of their success to repeat business from international associations which some international conferences to its new

decide where to bold their conferences on strict criteria, says Mr Dick Ouwehand. secretary general of ICCA.

"Conference organisers are influenced by the infrastructure of the host country. political and economic stability, safety, availability of an international airport, and direct and comfortable connections with the [convention] centre and hotels." It should be no surprise, therefore, that

the US attracted more than 170 international association meetings in 1993, compared with just one in Bosnia-Hercego

The ability of less developed venues to attract leading events has also been hampered by a widening gap between the "haves" and "have-nots". While cities from Adelaide to Zaragoza try to establish themselves as credible alternatives, their efforts are being overshadowed by spectacular huilding schemes in richer loca-

Exhibition Centre, due to open next month. Hong Kong, similarly, bas unveiled plans for a HK\$5.5bn extension to its convention centre, while Osaka bas opened the doors of the \$1.3bn Asia Pacific

Trade Centre. Unlike many older conference venues, particularly in Europe, these new "super complexes" promise interlinked exhibition halls, high technology auditoriums and

Convention ceotres have to provide more technologically advanced services and that requires heavy investment," says Mr Roger Beadle, vice-president in charge of sales at the Los Angeles Convention and Visitors Bureau.

expanding the LA Convention Centre. plans for further investment could be hampered by budget constraints on local authorities in southern California.

In the UK, meanwhile, conference organisers warn that the absence of such concould drive away big international events. Ms Penny Thomas, sales director of Banks Sadler, one of the country's leading

conference venue finding agencies, says: "The UK is pretty poor compared with other countries. We have the ICC Im Birmingham), Harrogate, Bournemouth and Brighton. But these centres are not resi-

"There's a tremendous shortage of residential locations for commercial clients running conferences with more than 250

Her views are echoed by Mr Peter Rand, chairman and chief executive of the Rand Group, which organises 3,000 conferences a year in the UK and overseas.

Although the city has spent \$500m "There's greater demand for larger hotels than the UR can supply. There are only a dozen botels outside London that can accommodate conferences of more than 300 delegates and it's not sufficient. The same is true in continental Europe." Nevertheless, the UK's non-residential

Scheherazade Daneshkhu looks at where to stay

S\$600m International Convention and vention centres with dedicated hotels conference business is buoyant with more than £150m invested in new centres in the past two years, including £38m on the Edinburgh International Conference Centre and £29m on the Belfast Conference and Concert Centre.

Investment in such centres reflects rising bookings from exhibition organisers who are preparing to stage more events as UK companies increase promotional spending after cutting back during the

"Forward bookings are looking very encouraging, it's a good indication that overseas trade is picking up," says Mr Brian Rushridge, director of the Associa-tion of Exhibition Organisers.

Despite misgivings over hotel capacity, the UK appears to be winning a steady amount of business. Indeed, it is ranked second in the ICCA's league of countries staging most events.

The popularity of cities such as London and Edinburgh should guarantee a steady flow, irrespective of newer facilities out-

Coninck, head of the congress department at the Union of International Associations

With almost 90 per cent of conferences organised by UIA conducted in English, UK cities should have a head start in bid-

side Europe, according to Ms Ghislaine de

ding for events. "London is a leading destination because of that, and has been for 10 years"

she says. In a bid to retain that market dominance, the London Docklands Develupment Corporation has drawn up plans for a £100m exhibition and conference centre close to the City airport, while a rival group is planning a west London convention complex to supersede Earls Court.

Such developments are essential if cities such as London are to fight off the challenge from rivals in south-cust Asia and North America

As they are completed and draw bookings from conference organisers, it should polarise the venue husiness into a super league of cities which have invested consistently in new facilities. They are expected to dominate the industry, with only niggling competition from less developed

There may be a place for towns like Turku in this husiness," says one conference organiser. "But I doubt they will stay in the big time for long."

The Chewton Glen Hotel on the Dorset-Hampshire border Tower Hampshire

# ith the ebbing of the recession in Europe and the US, hotels report a welcome recovery in the conference market over

Travel budgets were one of the first items to be cut during the recession and only 6 per cent of room nights sold in major UK cities were conference-related in 1991, according to Pannell Kerr Forster Associates, management consultants. compared to 11 per cent in 1993. Last year, UK hotels derived £545m of their income from the conference market.

The effect on the market is evident, bowever, with conferences tending to take place over shorter periods than before, while cost-consciousness is high on the agenda. "The main demand - and it seems to be the message on the 1990s – is value for money," says Ms Claire Drewer, manager of logistics at Spectrum Communications.

Conference organisers have a wide choice of hotel vennes among which to search for value. But sluce bigh standards of service are also demanded, the balance between price and service can be hard to strike. One choice available to organisers is to seek ont the smaller, often independently owned ont-oftown hotels, rather than the

Hotels see welcome recovery large hotel chains.

Mr Peter Rand, chief executive of Peter Rand Group, the conference placement service. says one advantage of smaller hotels is that they can be taken over by the conference. "If you have a conference for 20-30 people in a 300-bed city hotel, a lot of other activity is going on which can make getting service for unplanned events - such as changing the lay-out of a room at short notice - more difficult than in

a small hotel," he says.

Some of the theoretical advantages of large botel chains - such as the ability to provide set levels of service and accommodation - are not evident in practice according to some organisers. "If you are organising a road show, you could buy every botel from one chain to increase your bargaining power but the standard of botels can be very dif-ferent," says Ms Drewer.

"A large chain doesn't necessarily give consistency." says Mr Ian Harvey-Piper, technical director at Technovation, which provides technical ser-

Metropole is of a much higher standard than the London

Metropole." To get around this problem, some chains, such as ITT Sheraton, Hilton International and Jarvis Hotels, the privatelyowned UK group, offer service guarantees or money back while the Inter-Continental chain, which relies on business travellers for 80 per cent of its husiness, has a reputation for understanding the needs of the conference mar-

The Worcestershire-hased Meetings Industry Association says that organisers of smallscale events tend to prefer outof-town botels but that city hotels have the advantage when numbers above 100 are involved.

Its research also shows a relationship between the loca-tion of the hotel and the type of event, Sales conferences, training courses and management meetings prefer ont-oftown hotels but the city centre with large hotels. While this is a clear favourite for product may he true of an agency

vices to conferences. For launches and annual general example, the Birmingbam meetings. The overwhelming majority of organisers - 80 per ceut - choose a geographic location before selecting a

> There can be disadvantages to the smaller hotel. Many do not have dedicated business centres, which are increasingly demanded by delegates. They can also struggle to provide syndicate rooms whereas large hotels tend to have purpose-huilt conference rooms. which can be easily split up into meeting rooms.

The lack of standardised accommodation can also be a problem. Ms Lesley Claff, managing-director of Meeting Point Conferences, says the quality of bedrooms in some small country botels varies considerably, which can upset some delegates.

She also says that the tight margins on which small hotels tend to operate can also make it difficult to cut a good deal, whereas the chances of negotiating a big discount is greater with large hotels. While this

ness with a chain of hotels, Mr Harvey-Piper says that smaller

Where ont-of-town botels come into their own, however, is in the incentive conference market. Many companies have had to cut back on incentive travel, according to Mr Mark Batey, a director at Purchasepoint, the marketing agency, and can no longer afford both conference-related activities and incentive holidays. They are therefore tending to combine the two by holding conferences in stylish hotels in

hotels are more likely to give

a discount for a one-off event

than a large hotel.

desirable locations.

French chateaux fall into this market as do destinations such as Barcelona - currently one of the most popular -Cannes and Sydney. Cyprus is hard to beat in terms of value for money, says Mr Batey, with a good standard of hotels and leisure facilities. In the UK, Hanbury Manor, set in 25 acres of Hertfordshire countryside, which boasts gonrmet cuisine and a heli-pad, is recommended by many organis-ers as are Chewton Glen and Tyiney Hall in Hampshire and

Gleneagles in Scotland. To compete with the large chains, small botels must have the health club facilities now regarded as standard by delegates. They also need to make themselves known, and many band together as a marketing exercise. A central reservation facility is also a big help. Small Luxury Hotels of the World has a central reserva-tion system while Relais and Chateaux says one should be available by the end of March.

The demand for technology bas hecome increasingly important. "We often go to hotels to see if their bedrooms have computer lines so that delegates can use their E-mail system." says Ms Drewer. Some hoteis provide business TV links which allow the delegate to switch on to a certain channel and see the conference agenda. The same system may also be used to transmit a corporate video."

In the end, the choice of hotel venne depends on the type of conference being held and the budget available but many organisers say that It is still often being unnecessarily restricted by the continued prevalence of holding conferences at relatively short

World's top venues: Chicago

### A site that's big enough

with cranes, according to Mr Elwood Hasemann who has run the association's shows since 1981. He had no doubt about where to find a hall big enough to handle his show: Chicago's McCormick Place. 'We'ce a heavy machinery

show," he says. "McCormick is the only place that can handle our show.

Perched on the shores of Lake Michigan, McCormick Place is the largest convention centre in the US and is due to grow by nearly a third in the next two years. At present the centre comprises two buildings with a total of nearly 1.5m sq ft of exhibition space. The new South Building, scheduled to he completed by February 1997. will add another 870,000 sq ft, hringing the total square foot-age available for exhibits to nearly 2.4m.

Indeed size, while one of its virtues, can also be one of the centre's flaws. "It can be very cold and very big," says Mr James Sobczak, director of con-

vention services.

It is a problem Mr Sobczak
and his colleagues at McCormick Place are working to address. "We've taken great pains to make ourselves warm and fuzzy," he says. To accomplish that, they

have spent \$50m on new carpeting and decorations for the lohbies and have added signs to help visitors find their way from one hall to another. Mr Hasemann says he has

equipment that the Association arise from the ball's over- taurants. for Manufacturing Technology whelming size by dividing his hauled in for its 1994 show was group's shows by product type cars are the preferred form of The city is famous for its natu-so large it had to be installed "so it is like a whole series of transportation there is an airshows under one umbrella".

In addition to its size. McCormick Place offers hightech options for exhibitors including fibre-optic cable that allows for the rapid transfer of information.

The Radiological Society of North America used the fibreoptic technology to demonstrate how pictures produced by a magnetic resonance imaging machine could be sent to doctors at remote locations. "The world is becoming very

technologically advanced and the fibre-optic cable is the thing that has been most helpful to exhibitors selling their products," Mr Sobczak says. But as important as size and

technology are the basics such as sleeping, eating and park-ing. The latter is cheap and ample, the other two come at a price but are widely available. The only time parking can be a problem is during the Chi-cago Automobile Show, which

hosts about 1m people over 10 days. For most conventions, the centre's four parking lots with 12,000 spaces, each costing \$8 a day, more than suffice.

For those who do not want to drive. McCormick Place is about a 10-minute hus or train ride from downtown. On those bitterly cold winter days for which the Windy City is famous, the best way to get there may be on the commuter rail which runs from underneath the centre to an enclosed complex that has three hotels

Most of the 33m pounds of avoided problems that might in addition to shops and res- loaded with activities for con-

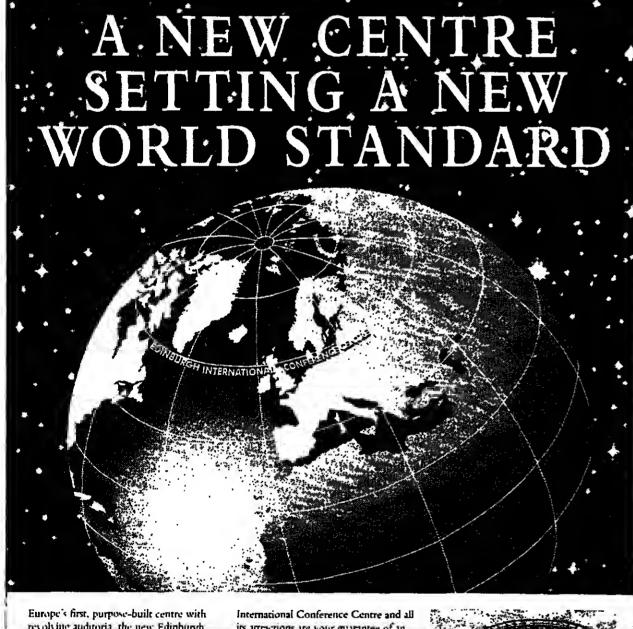
If neither buses, trains nor take some time off and explore. field for corporate aircraft adjacent to the halls.

A hotel room in downtown Chicago is less expensive than in New York, but not by much. The average single room at a corporate rate costs \$160 a night, which is less than the \$210 that might be needed in New York, but not as cheap as a stay in Los Angeles, according to Runzheimer International, a travel management and consulting company. Run-zheimer calculates that three meals in Chicago would cost about \$50 a day compared to

\$79 in New York.

ventlon visitors wanting to ral history museum; it boasts professional football, basketball and baseball teams for those wanting to attend a

sporting event. But getting a date at McCormick Place is not necessarily easy. Already, sales people are booking conventions and shows as far away as 2010. Mr Sobczak says the existing buildings are close to booked solid through the next five years in part hecause many groups rebook year after year. "About 70 per cent of business is repeat business every



revolving auditoria, the new Edinburgh International Conference Centre puts to use, with breathtaking effect, the very latest technology,

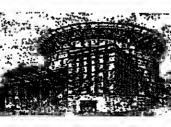
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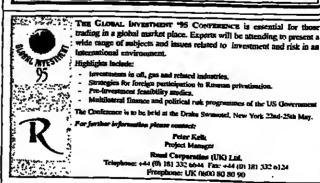
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#### INTERNATIONAL CONFERENCES AND EXHIBITIONS

حكذا من الاعل

"It was hell, but you had to do

Harriet Arnold looks at how the big international shows are constantly adapting to new circumstances

### There's always room for improvement

his heartfelt recollection by one regular exhibitor fraught participation in past big international shows would pain and surprise organisers and exhibitors of today's trade

Behind the modern, well-honed equivalents of all the enticements and dazzling arrays that have characterised fairs since the middle ages. impresario-like organisers are attempting to complete the transformation of their sprawling shows into tightly

managed business forums. But the biggest room in an exhibition will always be room Maintaining success is a

constant etruggle. Tradeshow Week, magazine, observes of its ranking of the top 200 US trade shows: "Sometimes a large show can become unwieldy and that has serious repercussions . . . It takes a highly trained staff to manage the logistics of a mega show and satisfy the expectations of exhibitors and attendees."

One route round that, says Mr Staffan Svenby, group managing director at leading exhibition organiser Blenheim Group, ie to have the "flexibility to act as a broker" between the exhibitors and buyers. "So long you as satisfy the industry, competitors will be confined to small niche activities." he adds.

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Mr Peter Cole, publisher of UK-based Exhibition Sulletin magazine, warns that shows must "make sure they don't leave a niche that becomes set up by someone else as a rival attraction. The successful shows are the ones that are

Exhibitions 25 years ago were buge spectacles that crammed venues just once or twice a year. They are still big separate industry sectors their unofficial motto seems to be "business focus" as they slough off their traditional PR

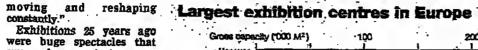
CeBIT, the huge Hanover information technology exhibi-tion, split from its parent, the general industrial Hanover Fair 10 years ago.
A typical device for develop-

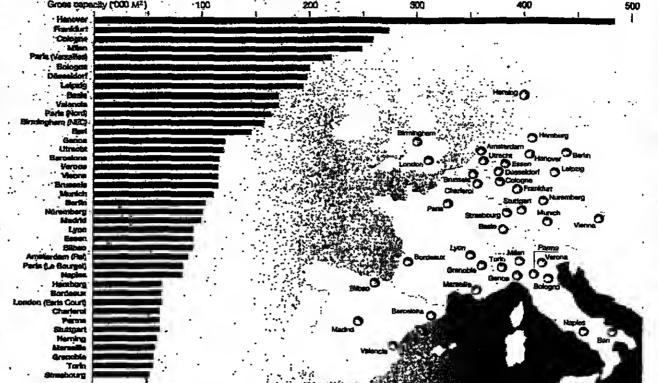
ing as an industry forum is showcase schemes. This year at CeBIT, for instance, virtually the whole Australian communications and IT industry will take part in special stands and related conferences, lectures and workshope, eays Deutsche Messe, the state

Organisers must give much more than entrance through a door, says Mr David Pegler, UK managing director, Blenheim He cites education, debate and special promotions as functions of a leading exhibition.

The key to a successful big show, says Ma Fiona Jeffery, exhibition director of Reed Exhibitions Companies' World Travel Market, "is a good event in the first place plus talking closely to the industry - the closer you are the better

WTM is probably the biggest annual gathering of the tour-ism world at senior manage-





Court. It too has "created focuses within a bigger event." For example, top buyers have a dedicated preview day; they are pre-registered, given a list

up the possibility of combin-ing exhibition and conference

facilities, something which

they claim is a rarity on the

convention circuit. "More and

more, conferences bave an

exhibition component," says

Mr van Amerongen, citing

financial considerations as the

driving force. He points to medical gatherings, for exam-

ple, where the economics of

the convention may change

nies can be encourage to

1,000 people, say. This fact,

coupled with the occupancy

ment level, at London's Earls of exhibitors and encouraged to make appointments beforehand. This is welcomed as "very worthwhile" by Mr Peter Haworth, of the East Asia

hly the best of its kind in the world" because it is trade-only and "is guided by participants".

exhibition centre is the travel

time for international atten-

dees, and the fact that the

spin-off niche regional events, Arabian Travel Market and Asia Travel Market. "The Middle East wasn't well-positioned but had a good product, which needed to be

and services have generally improved over the years.

sold," explains Ms Jeffery. Montgomery Exhibitions this year celebrates the centenary of Interbuild, which claims to be the largest huilding and construction exhibition in the English-speaking world. In 1991 Montgomery "radically reshaped" Interbuild's layout at Birmingbam's NEC, for instance by establishing "focused product sectors" within each hall, explains Mr Christopher Newton, Montgomery's managing director. We now provide non-commercial areas of editorial displays, features and seminars -Forums - to provide more

The US's largest trade show by far is Comdex/Fall, a sort of computing festival that takes place in Las Vegas's Conven-tions Centre and Sands Expo and Convention Centre. It has 13 miles of exhibition aisles and up to 200,000 visitors; many participants report "simply amazing parties, gossip and deals". But it is also where Mr Bill Gates, the Microsoft chairman, is likely to outline his next visionary move.

Mr Peter Sbaw, vice-president of marketing at The Intersays: "We keep vital by ensuring that we are reflecting what is new." For example, the first showcase on the infant multimedia trend was small but "very visible," be says, "Now it has been transformed into a showcase of around 600 exhibi-

Mr van Amerongen sees bis

To help the visitor, Interface produces a show guide and provides a comprehensive newspaper-type guide featuring scheduled announcements. There is an electronic version of the guide with a wordsearch function. A daily newspaper news round-up.

lists key events and provides a The giftware International Spring Fair and its sibling Autumn Fair at the UK's NEC have had to cope with strong diversification by exhibitors in the 1990s. The show has tried to reflect this, says Mr David Metcalfe, managing director of organiser Trade Promotion Services, "and in a sense, it now has lots of exhibitions under one roof." Related exhibitions

Autumn Fair. This develops, says Mr Met-caife, the "bonus buyers" - the cross-over audience that comes from exhibitions within a show working together and "feeding off each other". His problem as for organisers at venues the world over - is that "the NEC is of a finite size - the international Spring Fair could be much higger

run alongside the main

Mr Paul Masson, marketing director at Viners, the UKbased cutlery company, welcomes the moves made by TPS. but adds that there is also a role for smaller, more select exhibitions. "All the big customers are going to come to

of through traffic."
Mr Mike Agostim, who runs the UK-based Exhibitor Club, complains that "everyone gets booked on the numbers game' leading to unrealistic expectations. "What organisers should be saying is not that exhibitors are going to meet 20,000 people. but that they are going to have 300 business meetings." he

for New South Wales and 11,308 for Victoria. region has increased. Today,

runs Sydney's Darling Harhonr convention and exhibition centre, sits in a modest backroom office while the harbour sparkles outside. "We bave two drawcards," be says simply. "The city of Sydney and the facilities. It's in that order - the city is

Peer through the window. and it is easy to see the logic of Mr van Amerongen's argument. Not only does Sydney have huge natural advantages - the harbour, generally clement weather, good surrounding tional city, spared the population pressures of Asian centres extremely user-friendly.

reover, the Darling Harbour centre, the dominant exhibition and conference facility, was developed only in the late 1980s, and has carefully built on these advan-

For example, when the pub-licity blurb talks of five-minnte access to the central bui-

ness district in which many of the city's larger hotels are located, it is not actually pushing the point.

overhead Monorail which runs round Darling Harbour into the main shopping centre. But for a conference delegate, who wants wants to burtle to or from hotels and restaurants, it is a big boon. Even a taxi ride from the CBD to the centre costs no more than \$5-7, Better still, the distance can be walked, free of traffic fumes,

in 10 to 15 minutes. The convention and exhibition centre Itself offers five large interconnecting exhibi-tion halls. Adjacent are a ing facilities, including a ple-nary hall and theatre, which can seat 3,500 people, and banqueting facilities servicing around 1,600. According to Mr van Amerongen, the exhibition facilities are about 80 per cent booked for the immediate future; conference capacity, however, is less restricted.

Local officials like to play

exhibit at the same time. This can effectively underwrite the accompanying conference pro-Nevertheless, even Mr van Amerongen admits that Sydney facilities are optimised by large gatherings - upwards of levels, means that there is a considerable push to get the centre expanded.

Advocates of expansion note that, at the back of the complex and currently separated from it hy a road and the monorail, is an old government printing office. Next to it is a cleared site where a mammoth woolstore burnt down. The idea is that these two

sites could be used to double 25,000 sq metres, and a "link" foyer could be built connecting new and old space. Through this, the transport facilities could pass. The idea has some backing from the current state government. Much, however. may depend on bow New South Wales' fluid politics pan out; state elections are to be held next month.

■ World's top venues: Sydney

#### User-friendly advantages The obvious drawback to vagaries of the commercial Sydney as a conference or aviation industry, travel times

Moreover, the recent, rapid growth of Asia-Pacific econo-mies has tended to shift the number of overseas visitors who will just "drop in" is lim-

focus of organisers of interna-Officials take some comfort tional trade-based conferences. from the general improvement As the number of likely Asian in international air services; attendees has risen, the desire to centre conferences in the while these are subject to the

main competition coming from Hong Kong and Singapore. Finally, while there is no donbt that Sydney bolds the

commanding role in Anstralia's conference and exhibition market, its pre-eminence should not he overstated. According to the Bureau of Tourism Research, the number of domestic visitors to Sydney who gave convention business as their main purpose of travel was 195,000 in 1993-94, while those going to Melbourne for the same reason totalled 146,000. The international figures for 1993 stood at 21,505

As in all things, the two cities compete fiercely though the new Melbourne exhibition centre, with 30,000 sq metres of space has yet to come on stream, giving Sydney a decided edge. Perhaps all that can be safely said is that Australia's convention

and exhibition business overall is growing sharply; the number of international visitors coming for this reason rose by 28 per cent in the 11 months to November, over the

same period in 1993.

#### World's top venues: Hong Kong

### State-of-the-art facilities

Hong Kong prides itself on being the acceptable face of Asia, providing s sanitised interface to the world'a biggest growth regions. Conferences held there benefit from being in the hub of Asia but with all the niceties of the developed world: sophisticated telecommunications and transport, more than 37,000 hotel rooms and a broadly English-speaking populace.
The colony boasts one tele-

phone for svery two people, and cellular penetration is one of the highest in south-east Asia. It is also small and densely populated: the ride to the Central financial and retail district from the airport is one

of the shortest in the business THE MEETINGS & **EVENTS EXHIBITION CONFEX '95** 21 - 23 FEBRUARY 1995. EARLS COURT 2, LONDON

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world and can take just 30 minutes. Taxis are cheap and generally plentiful and there is also an efficient public transport network, with underground trains, buses, ferries and trams.

Nearly all the big hotel

chains are represented and rooms, while not cheap, are plentiful. (This stands to change as developers pull down hotels to make way for more lucrative office and retail blocks.) Hong Kong is itself a favoured business destination and the world's eighth biggest trading economy, thanks in part to its low tax structure and well-developed infrastruc-ture. As such, a sophisticated financial services and centre has evolved to meet the needs

of an international community. The colony has played host to a number of international events, from the annual Rugby Sevens in March to the 75th Lions Clubs' International Convention in 1992, which brought in a record 25,000 delegates.

It is partly with an eye to Hong Kong's appeal as an internstional meeting point that the government allocated HK\$4.8bn in its 1993 budget to extend the Hong Kong Convention and Exhibition Centre, a purpose-built complex on Hong Kong island and venue for a mix of trade fairs, fashion showa, seminars and confer-

The centre currently has two

main halls, each of around 9,000 sq metres, plus convention rooms and theatres. Its capacity will roughly double by mid-1997, when the expansion - which entails land reclamation - is due for completion Mr Owen Chi, assistant executive director of the colony's Trade Development Council. believes the extension will enable Hong Kong to retain its competitive edge as other countries in the region, includ-ing China, build facilities. Hong Kong costs are generally higher, but he says value is

also better in terms of contacts

made and business executed.

The centre bosts 50 to 70 big events a year, almost as much as the existing facilities can accommodate. These events are organised either by the TDC, as in the case of the Watch and Clock Fair, one of the biggest in the world, or by private organisera who are responsible for the Leather

Says Mr Chi: "In Hong Kong trade faira are successful because we have industry backing, which means all the suppliers are brought together in one place, while the buyers come in because of Hong Kong'e convenience from virtually all the main flight loca-

"Moreover, as all these trade fairs are becoming much more international, overseas companies are coming to Hong Kong to develop and cultivate the market."

Throughout Asia, only Hong Kong offers state-of-the-art exhibition facilities, he says. Hong Kong is also an attractivs venue for the mainland enterprises, which are increasingly using the territory as a platform to promote their business to the world. This in turn enhances Hong Kong's appeal.

Apart from the centre, conventions can be beld at the Stadium, which seats 40,000; the Coliseum, an indoor venue accommodating 12,000 in tiered seating or the Cultural Centre, where two large theatres seat 2,100 and 1,700 people. Conveniently located meeting facilities, seating from 10 people and upwards, are available at civic venues, convention centres

and botels. For rest and recreation. Hong Kong offers a shoppers' paradise and a wealth of res taurants. Though a visa is required, southern China can be reached by air, train, boat or bus, either for business or pleasure. Hong Kong itself still offers the jaded business delegate country rambles, temples and snake markets.

Louise Lucas



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#### INTERNATIONAL CONFERENCES AND EXHIBITIONS

Diane Summers on making the most of exhibiting

### To show or not to show

Red carpets, white ropes cordoniog off exhibits, and disdainfol salesmen studionsly avoiding handing ont catalogues to the public.

All are images from motor shows of the distant past, hnt serve to illustrate how any industry can end no putting oo an exhibition for itself, rather than focusing on the needs of the public, says Mr keter and exponent of "industrial theatre".

Mr Ball is scheduled today to tell a seminar at Confex. the conference and exhibition show at Earls Court, London, how companies can make the most of exhibiting. Events to his name inclode the opeoing ceremony of the Rughy World Cup and the staging of the British International Motor Show at Birmiogham's National Exhibitioo Ceotre.

The first task is for a company to define whether the show is for the trade, is a public exhibition, or is a comhinatioo of the two, he says. "Yoo sometimes see people aiming clearly at trade cus-tomers at a public exhibition. They discourage people from visiting their stands because they're only there to sign op contracts with potential suppliers or dealers. The public is an added ouisance.

The joh of verifying the oumbers attending an exhibitioo and the profile of visitors and so whether it is worth exhibiting - is easier than it used to be, says Mr Reg Best, the Incorporated Society of British Advertisers' exhibitious specialist. "Turnstile swinging", when exhibition organisers inflated oumbers, is a thing of the past. The Audit Burean of Circulation has established a verification scheme in the UK, and there are hopes that an international standard can he worked towards in the future,

One of the worst reasons for deciding to attend an exhibition is solely because competitors will he there, says Mr Best, ISBA's own annual survey shows that for oearly 70 per cent of memhers this is, indeed, still a strong factor in deciding Stands should be "memorable whether to take a stand. Nor should companies go to

an exhibition with the main aim of assembling a list of names of prospects, says Mr Best: "If yoo're a serious huyer, you're going to an exhibition to see the product. You want to talk to someone who can tell you about it. It's a complete waste of time to be met by someone who knows only enough to ask your name so a rep can visit."

in his view, those companies making the best use of exhibitious are integratiog them with their other marketiog efforts, ioclodiog direct mail, posters and press advertisements. This point is echoed by Mr

Rohio Hope, services director of Earls Court Olympia. As he says in Earls Court's recently-pohlished Exhibitor Survival Guide: "In order to provide cootinuity and support your hrand, your exhibit oeeds to link with your promotional material and all other sales and marketing activities in terms of message, image and targeting." Check, too, that full use is

made of the sales and support services available, says Mr Hope. "Organisers will have iooal platform surrounding the event. Make sure you exploit it to gain the maximum exposure before, during and after the eveot." Mr Ball adds: "Always eosure yon talk to the organisers and get a good position. It's no good having the best stand in the world and hiding it in a poor position. These things are always negotiable.'

As far as exhibits themselves are concerned, the main aim is to take advantage of the medium, says Mr Best, "Doo't have a wonderful product and then just put prints round the walls. Have the product there and make sure anything new is fully

Being at an exhibition is not enough in itself, stresses Mr Ball. "You have to have a presence which is dynamic. ontward-facing and interactive with the public," he says.

and creative in concept;" the whole thing is brought to life by introducing colour, movement, entertainment and hospitality, so that visitors are compelled to stop, look and take part, he says. This may be done hy staging events - a fashion show, dancers, famous personalities - relevant to the product.

Staff on the stand obviously have an important part to play and it is no use if only the managing director and marketing director nnderstand why the company is exhibitiog, says Mr Hope. "It's absolutely vital for those who are manning the stand to know exactly what you want them to do, what image you want them to convey - and of course, how you expect them to deal with your cus-tomers or prospects," he says. It is less common now to see staff sitting around

looking hored, or chatting with friends from other stands, says Mr Ball. "Thank goodness, that is very moch on the dec ioe. Economics has forced companies to make full use of their presence at exhibitions. It's important for them to motivate staff so that they are well-presected and feel involved and wellhriefed," he says.

Finally, there is the goes tion of follow-np. Plan how to follow up the leads you get. advises Mr Hope. If you pro vide a free gift in exchange for husiness cards, decide what you will do with the oames yoo collect. "For example, put them oo a database and use them as a mailing list; send them a promot-ional pack, special offer or news of your sale; and get your sales force to give them a call," he says.

And do oot give np too soon, says Mr Best, "Research shows that the life-cycle of inquiries following exhibitions can be very long." A buying decision may be made a year or more after a visitor has collected literature from rival stands at a show, so gentle follow-nps over that period can pay off, he con-



The site of the proposed Royal Docks exhibition centre at Royal Victoria Dock in London Docktands

ondon, as a centre for exhibitions and conferences, starts with some natural advantages over many other venues. The combination of historical and cultural attractions, the appeal of ao English-speakiog environment to English speakers in other parts of the world, and the opportunities for out-of-hours entertainment mean that the capital features

on many organisers' shortlists. Confidence about security. particularly among North Americans, has increased since the IRA ceasefire; even the cuisine and frieodliness of the natives are highly ranked by visitors these days, according to recent surveys conducted hy the tourist agencies.

However, several factors continue to hold London back, according to Ms Catricoa Camphell, head of marketing and the convention hureau for the London Tourist Board, The first of these factors is that there is simply not enough conference space.

One of the most important large venues is the Queen Elizabeth II Conference Centre at Westminster. Its facilities include high security, video-conferencing, three main halls,

The world's top venues: London

### **Hurdles that must** still be overcome

four conference rooms and over 50 smaller meeting rooms. But the maximum oumber of people that the largest space in the building will accommodate is about 1,200.

The consensus, says Ms Campbell, is that London could with "a world-class conference facility with seating capacity in the main hall for 2,500 people plus a separate hall for catering purposes. facilities for hreak-out sessions and an adequate space for exhibitions. The US has so many conference centres with accommodation attached. If we're ever going to tackle the American market and attract significant numbers, that's what we need to have as well."

The second difficulty London faces is that it must be unique among capitals in not having lts own overall local government. Ms Campbell says: "A number of other cities, including some in the UK, give financial assistance to organisations to hring their conference business - they realise conferences boost the local economy. Because of the way that London is structured.

we have to convince 33 local authorities, with very different perspectives on business

Alexandra Palace 330,000 Barbican Centre 1,900,000 Business Design Centre 412,053 Earls Court/Olympia 3,000,000 Fairfield Halls, Crowdon 750,000 Queen Elizabeth II conference centre 250,000 Warnbley Stadium complex 6,750,000 Westminster Exhibition Centre 135,000

Attendances at 1993 exhibitions

for conference and exhibition busioess are able to fly in organisers and entertain them while they inspect facilities, London has to scratch around for funds. "We don't have a pot of money to use to encourage people into London," she says. Overseas representation is mainly shared with the British Tourist Authority, hut the BTA's focus of activity has to be the leisure, rather than the convention, market. London cannot even offer visitors a civic reception hosted by the capital's ceremonial figurebead, because there is no such

A number of initiatives are being developed to try to overcome some of these hurdles. The most important scheme to increase venne space in London is a vast new exhibition centre in Docklands. Whereas some cities bidding A study by Touche Ross for

London Docklands Development Corporation found that demand existed for an exhibition centre with hall space of up to 60,000 sq metres and potential for further expansion. The north site of the Royal Victoria Dock was the only suitable site available in the capital, it concluded

LDDC has now selected

developers for the first £100m phase of the development which should be ready in 1998, following the completion of the Jubilee Tube line extension, It is intended that hotels and conference facilities will also follow. Separately, Earls Court Olympia, the P&O group company, is putting in a bid for the development of a site to tha west of London as an International trade show

On the promotional front, London's limited resources are

to be boosted by recruiting voluntary "ambassadors" to spread the word. Business leaders, in particular those involved in Londoo First, the private sector ioward investment initiative, are to be provided with incentives and recognition for bringing in convention husiness to the

capital. Even though it will be some time before these initiatives take effect. Ms Campbell is confident that London can hold its own. A steady improvement in visitor figures mirrors the upturn in the economy. Estimates for 1983 indicate that more than 14m people attended exhibitions and conferences at

the larger venues. Notable events in the capital have locluded a five-day. 2.500-strong Holiday Inn convention at Wembler, and a new product launch for 5,000 Fiat dealers from all over the world at Earls Court.

An event that London's promoters point to with particular pride is the Arthur Andersen worldwide partners' conference, recently held for the first time outside the US. The seven-day marathon had 4,300 people staying in 17 hotels and attending 265 meetings across London.

Ms Camphell coocludes:

"Though London may lack some of the attractions of other cities or the large convention centres to which international planners may he used, if it convinces them that it can deliver co-ordinated event organisation using the facilities it has, it has a tremendous amount to offer.'

**Diane Summers** 

Unusual venues may prove memorable, but there can also be pitfalls

### Strange places stay in the mind

Harrogate or Hong Kong - the external environments may be very different, but once inside the hotel or conference hall, it can sometimes be difficult to distinguish one venue from For those event organisers

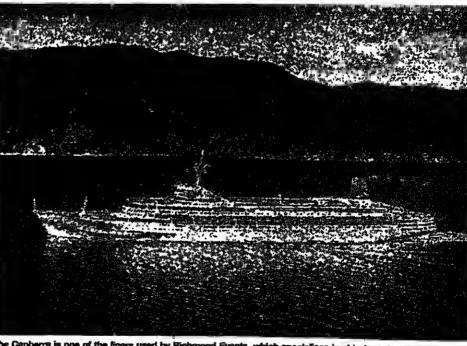
anxious to provide a memora-hle alternative to standard accommodation, there is a greater choice than ever before of the type of venue likely to remain in guests' minds long after the business content of an occasion has faded

Museums, in particular, are waking up to the potential for generating extra revenue from allowing their premises to be used after-hours hy other organisations. Historic monumeots, sports grounds, parks and even dungeons are following suit. Meanwhile, some conferences and exhibitions are abandoning terra firma altogether, and launching themselves onto cruise liners.

In London's Natural History Museum it is possible for 1,000 guests to meet in the vaulted hall and then dine in the company of a giant dinosaur, the 150m-year-old Diplodocus. At London Zoo, receptions may be held in the reptile and insect houses, or a barbecue can be arranged oext to the lions' terrace. The zoo also has more conventional lecture theatres and function suites.

The London Tourist Board

and Convention Bureau has a register of unusual places available for hire in the capi-tal. These include: the Museum of Garden History in Lambeth; HMS Belfast, the last of the Royal Navy's hig-gun ships which is permanently moored opposite the Tower of London; and the Barbican Centre. The latter has a conservatory filled with tropical plants which is available for receptions, as well as the more usual halls, cinemas and meeting rooms. Ms Miranda Acheson-Gray. the board's UK sales executive,



The Canberra is one of the liners used by Richmond Events, which special

for a particularly memorable evening - perhaps hiring a boat to go down the Thames to Greenwich before gathering at the Queen's House, next to the National Maritime Museum. Also at Greenwich is a unique venue for smaller gatherings: the world's only museum of fans, housed in early Georgian huildings, can accommodate a

meeting of up to 80 people.

Product launches and client receptions may benefit particularly from an unusual venue, says Ms Acheson-Gray. "It's often the same people who get invited to several of these things. You've got to do something to make the event memorable. If yon just plan to take them to another hotel, they may not even turn up."

But there are pitfalls in hiring non-standard premises, she says. Expenses can mount up: many museums do not have on-site caterers, so outside provision needs to be made, and

there can also be extra costs Caterers may charge extra at a museum venue if conditions are cramped in small kitchens with few facilities. Access is often oot allowed until the museum has closed to the public for the day, giving little time for preparation. And do not forget that museums can be cold and acoustics can be poor, warns Ms Acheson-Gray.

Her overall recommendation is that "it is better to go for a less glamorous venue and spend more on the event Itself. than to go for an expensive, unusual venue and not have any money left for decorating and catering".

Leaving land behind altogether, boats have long been used for incentive trips and entertainment. Now some exhibitions and conferences are also taking to the waves. Rich-mond Events, based in Surrey, specialises in ship-based venues and now organises nine

regular events, including several information technology forums, the Marketing Forum. and Pims - the Personal Investment Marketing Show.

Liners used hy Richmond currently include the Canberra and the QE2; P&O's newest cruise liner. Oriana, will he used later this year. The liners sail only far ecough out to sea to stop anyone getting off -providing the ideal captive audience for exhibitors.

"Delegates" are invited by Richmond and do not pay for the event, while exhibitors would typically pay £11,500 for two people to attend. Over three nights and two days both sides meet up in individual ses-sions organised via a computerised appointment system an exhibitor could hold up to 40 meetings with delegates over the period. In between appointments, there are conference and seminar sessions.

Diane Summers

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#### INTERNATIONAL CONFERENCES AND EXHIBITIONS

Paul Taylor looks at the inroads made by computer technology

### From the theatrical to the dynamic

nology enhances content, rather than obscures it. For this reason extravagant "glitzy" presentations featuring special effects, dry ice and dancing girls are out of fashion. Instead technology is being used to cut lead times and make productions more

omputer technology is having a profound effect on the way conferences and exhibitions are prepared.

organised and run. But communications

experts stress that the most effective tech-

interesting, relevant and accessible. "Business conferences are becoming much more informal and participative," says Ms Lois Jacobs, managing director of HP:ICM, the London based communica-

tions group. Conference organisers have recognised that audiences no longer want to be talked at" by speakers hidden behind lecterns or reading from an autocue devices against a slide-show beckdrop.

The emphasis today is on smaller and more intimate meetings, presentations illustrated with slick computer generated graphics and conferences punctuated by break out" sessions or workshops to

involve the audience. For example, new car launches have typically involved large and lavish presen tions in exotic locations. But for the launch of the Omega, General Motors, working with HP-ICM, chose to reach 28,000 dealership personnel in 20 countries with a series of smaller local events.

After an initial formal presentation by a senior local manager, delegates were divided into smaller groups of 20 to 30 people and assigned a "navigator" who steered them though aight small and highly inter-active workshops each built around a key feature of the new car. According to Ms Jacobs, the creation of

events for a panEuropean audience is another recent trend in the industry. "In fact, over 60 per cent of our business is for multi-cultural audiences," she says. Audience response systems provide another means of involving an audience directly in an event. In Britain a four-year-

old company called IML is a leader in the use of interactive computer technology and electronic audience response systems. IML pioneered the use of handheld numeric keypads which enable an audi-ence to key in a response to a question, register an opinion or exchange information - responses are captured by computer and can be displayed simultaneously. IML's PC software is used to plan, run and

record responses during the presentation.

Mr Peter Knowles, IML's sales and mar-

keting director, says: "A lot of conferences have moved away from the theatrical." Instead companies are looking for a more dynamic format. IML's handsets are the modern equivalent of putting a hand up, but with anonymity if required, he says.

"We do 20 to 40 meetings a month," says Mr Knowles. These range from 10-person board of directors undertaking a strategic exercise to 5,000 people attending a company conference in Paris. Significantly, he says that response rates using the hand-sets, "are almost 100 per cent". IML has recently introduced an infra-red portable version of its handset which includes a microphone. An LCD window allows information such as individual scores or marks to be returned to each handset.

Alternatively, using business TV, responses can be collected from remote sites, sent via a modem to the broadcast site where they can be collated and relayed immediately back to the audience creating an interactive communication loop between remote and broadcast sites. Generic training videos and the latest CDi technology can also be converted into group interaction programmes using IML of film clips - depending on the interests software. Crown Business Communication and responses of the visitors themselves. tions, another business conference agency specialising in the production of live events, conferences and roadshows, also uses interactive computer techniques.

Nick Lamb, managing director, claims Crown led the way in mul-timedia presentations using laptop computers with its work for the Department of Trade and Industry's "Winning in the 90s" roadshow which Crown designed as a state-of-the-art interactive

The DTI roadshow is transported from one corporate car park to the next inside three articulated trailers which connect together to form a self-contained auditorium capable of seating 60 people at a time

for the 21/2-hour show.
Visitors are provided with a Compaq laptop computer into which they key in their name, company details and areas of interest. This information is captured and fed back to a facilitator who varies each laptop presentation - including the choice

roll-about, desktop and video-

by PictureTel of the US, was

demonstrating the equipment

to the 60 staff in the three

Alcatel set aside a £2,000

budget to cover the cost of the

three-way conference - sub-

stantially less than it would

have cost to fly the 25 staff in

the Glasgow office down for a

conventional meeting in Sur-

rey. "The overall impression

Thus no two roadshows are the same.

At the roadshow, designed to help managers improve the competitiveness of their companies, visitors receive a printout of their own "checklist for success". After the show the computer technology provides a post-event record for the DTI and the show's sponsors to use for follow-up

However. Mr Lamb believes the DTI show, hailed as "the most innovative presentation ever put on the road", scratches only the surface of the IT potential. Crown believes that in future management con-ferences with perhaps 500 delegates will use the same technology, but that the presentation details will be tailored to each individual delegate.

Mr Lamb, like other conference experts, emphasises that "content is always more important than technology and devices, and he believes that the human element in presentation is crucial to their success. Despite the limitations of older equipment such as autocue devices, lecterns and photographic slide projectors, most husiness communications experts acknowledge that they still have a role. They are leftovers from the past but they won't disappear completely," says Mr Lamb.

However, digital technology has made significant inroads into the traditional conference presentation and exhibition market as well.

Many presentations these days are compiled on desktop or portable computers using software such as Microsoft's Powerpoint programme. This means sophistlcated presentations - complete with graphs that grow and bar charts which fill - can be put together in days rather than weeks and can be easily changed.

Aside from speed of preparation, flexibility and cost savings the other key advantage of using this equipment is that it can be plugged directly into a video projector and used to run a presentation if

But for very high quality images slide most production companies use specialised computer graphics equipment such as Inscriber or CadSoft systems. These generate high quality slides to be shown ou Barco projectors which can be hired from specialists such as MetroVideo in London.

These graphics systems produce near photographic quality results and have made the technical hitches of older presentations, such as slides jamming or going out of focus, a thing of the past.

be use of new technologies such as video-telephony, telephone-conferencing, business television and satellite broadcasting is transforming the reach of the corpo-

Two-way video- and audioconferencing links enable people to participate in an event even though they may be geo-graphically far removed from the main site, Similarly, the imaginative use of husiness television and satellite systems can transform a local conference into a national, or

For example, in October last Whirlpool, the multinational white goods manufacturer, staged an extravaganza to belp reinforce its global Quality programme.

In the flurry that precedes a conference,

organisers are inundated with details:

booking the venue, arranging the menus

and cocktail parties, and ordering the decof these details will mean much to dele-gates who do not understand the language

For any international conference, it is crucial to consider the need for interpreters, not only because it will help partici-pants understand what is going on, hut

because it may attract more of them. Interpreting is a selling point which a lot

of conference organisers do not realise," says Ms Frances Calder, founding member

of Conference Interpreters International, a

As English has increasingly become the

international language of business, conferences conducted in Britain and the US are

monolingual more often than not. But while many delegates will have a basic understanding of English, they will only

feel comfortable asking questions in their

"If everyoue ou stage is speaking English it is difficult for a French or Ital-

ian delegate to stand up and ask a ques-tion because it has not been established

that you can use these languages," says Ms Breuda Rolfe, technical director of M &

R Conference Communications, an equip-

ment supplier for simultaneous interpretation. "If a conference is truly interna-tional, then some speakers will give their speeches in other languages."

once an organiser decides to provide language services, the first decision is what kind of interpretation is appropriate. For most conferences, simultaneous interpretation, with speciality equipment, is the only practical method for large audi-

For small seminars or dinner meetings, consecutive interpretation is possible. The

interpreter takes notes during a speech,

and gives the interpretation afterwards.

When only one or at most two people need

of the conference speakers.

group of freelancers.

native languages.

munications specialist, was made possible hy satellite consion and involved a worldwide

Four main fairs were held at Varese in Italy, Michigan in the US. Singapore and Brazil, each of which also acted as a broadcast site. The broadcasts around the globe, a technical feat which required the use of three satellites for the European-US link alone, and 28 satellite transponders to deal with conversion between the differ-

For the European event. HP:ICM used two articulated trucks to transport the equipment to Italy together with a TV crew, outside broadcast The event, organised by unit and set builders. It cre-

people in a basketball court and co-ordinated the transportation of Whirlpool Europe's headquarters staff to Varese. The Quality Forum opened with a 60-minute award ceremony for European company winners. All four sites were allocated a live 22-minute hroadcast consisting of live presentations, video segments and interactive transglobal

sits next to the delegate and whispers in

interpreters who offer ad hoc or liaison

interpretation. These are considered more

appropriate for low-level business or tour-

ist circumstances, when rigorous inter-preting is not required.

For simultaneous interpretation, a team

of interpreters is needed, and for each lan-guage, it is necessary to have at least two interpreters so that they can take breaks

ecruiting interpreters for the first time can be difficult because there are no international qualifications

or standards. "If you went on a school trip to Paris at the age of 15 you can call yourself an interpreter," says Ms Calder.

She recommends that organisers look

cuit," she says. "That guarantees a certain

The other way to guarantee minimum standards is to hire interpreters who are

members of the International Association

recognised by the United Nations, the

work "indifferently into three languages."

CORPORATE ACTIVITIES

the other language.

during the conference.

level of ability."

Ms Lois Jacobs, managing director of HP:ICM, says videoconferencing is heing used increasingly for one-off events or by companies such as TSB.

make regular hroadcasts to 1,000 sites equipped with roof-top satellite dishes.

Video-conferencing is also being used to cut travelling es and reduce the time wasted getting to meetings. For example the UK-based applications husiness unit of Alcatel Business Systems, part of the French group, used video-conferencing equipment earlier this month to link its offices in Bracknell, Camberlev and Glasgow in the UK via

was that it had been extremely successful," said Ms Julie Brightwell of Alcatel. For those companies unsure about whether they can justify the investment in their own Motoko Rich on a service that is becoming more and more necessary video-conferencing systems, there are alternatives. For example, most telecommunications companies hire out vid-When to call for an interpreter eo-conferencing equipment

AUDIO AND VIDEO CONFERENCING

The way to keep in touch

ferencing centres which are available for hire. BT operates two centres in the UK at the moment and Mr Darren Van Stone, marketing

and operate public video-con-

manager for BT teleconferenc-

phone systems manufactured about 25 other independent centres in the UK and many more worldwide.

Typically, the hired equipment and public video-confereucing ceutres are used for high profile corporate events such as investor relations meetings and press couferences. Some centres such as the Qneeu Elizabeth II in Westminster also provide video-conferencing, editing and broadcasting facilities. The facility at the QEII cen-

tre, called "II Media Productions." has been set np over the past 18 months, An event can he hroadcast live to regional television stations using the centre's video-editing suite where the coverage can be mixed with titles, special effects and computer graphics before being relayed to the desired location.

Ms Gill Price, commercial director of the QEII Centre, says: "II Media is ideal for important announcements and international occasions where the organisers are sure of attracting a good deal of media attention.

The live broadcast can be relayed to videos in the event hall and to external locations via land lines, microwave, satellite links or ISDN video-conferencing. Recordings can be used for corporate videos, promotional material and internal communications such as business television, staff training, archive and reference mate-

Video-conferencing is also being used increasingly as an integral part of a conference or meeting. "A lot more people are asking whether we can cater for video-conferencing," says Ms Price. "For example, where the president of a US company, who is unable to attend in person, wishes to give his sales staff in the UK a motivational pep talk, he now has the opportunity of doing this by video-conference."

Among those who have used the QEII's video-conferencing facilities recently are the King of Sweden for a discussion of Sweden's hid to hold the 1997 World Expo in Stockholm, Estee Lauder for a marketing conference linking London and New York and Mr Peter Drucker, the management expert, who addressed 600 del-

egates from his southern Calif ornia base last June, As an alternative to video-

conferencing, both Mercury

Communications and BT iu the UK can set up low-cost andio conferences or conference calls. BT offers the service from its conference centre in London for customers who do not require video links. Conference calls can be set up quickly to numbers anywhere in the world and do not require any special equipment.
Andio-conferencing can be

used as an alternative to making a series of calls to one person after another or to hold a discussion within an organisation. Most operators can also offer translatiou, recording and transcription.

If required, BT can feed from a conference public address system to a remote audience down telephone lines. In some markets, particniarly the US, audio-conferencing is already well established and worth an estimated \$600m a year to the telecoms companies. "Conference calling is one of the fastest expanding BT services," says Mr Van Stone, Over the past year service usage at BT has grown by 70 per cent.

Paul Taylor

rate conference or event. even international, event.

ferencing and business televilive broadcast which reached 7.000 employees.

were received at 28 sites ent television standards.

ated an auditorium for 500

locations Velisy in France. The group, which resells

language services, then whispered inter- the most convenient ways to put together pretation is possible. Here the interpreter a team of interpreters is to ask a consultant interpreter to recruit them. Such consultants usually charge between 8 and 10 per cent of the interpreter's fee. Most interpreters work on a freelance basis, and will expect to have direct contracts with

the conference organisers. Fees range from

£250 to £500 a day.

Technical equipment – which varies greatly in price depending on what is required - can be booked through a number of suppliers. Consultant interpreters can recommend the hest ones. The equipment should be fully checked before it is used, and conference planners should demand that technicians be present

sound systems at all times to make sure they are working. Interpreters should be placed where they have a full view of the speakers, usually at the back of the room. It is important to allocate enough room for the booths, as each one will be approximately for a university degree in the languages specified as well as post-graduate training. "I tell people to look for interpreters who work on the European Community cir-160m square. "You will be surprised how much space the booths take up," says Ms Rolfe. "Make sure to consider your inter-preting needs when booking a venue."

throughout tha event, listening to the

Well in advance of the event, interpret ers should be given copies of speeches, transcripts of videos, lists of abbreviations and jargon likely to be used, and any other information about the conference subject

of Conference Interpreters. ). This professional body, which has about 2,500 members worldwide, is self-policing and is "Interpreters are jacks of all trades and European Community, the World Bank and the World Health Organisation. Interpreters should work by translating cover most subjects so it is absolutely essential that they have background information so they can check through their specialist dictionaries beforehand," says Ms Judy Knapp, director of Multilingual Services, an interpreting agency. "Only then can you get a Rolls-Royce service. People are notoriously bad at giving information and then complain when they do the languages they have studied into their mother tongue. Ms Calder warns against hiring anyone who claims to interpret into several languages equally well. She cites an applicant to the European parliament who claimed on her CV that she could not get a perfect service."

For the best interpreters, it is important to book up to a year in advance. One of avenue de Secheron, CH-1202 Geneva, Switzerland 41-22-731-33-22.

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Qualms among conference delegates on learning that a corporate activity provider will take over their lives for several hours are inevitable, writes Harriet Arnold. But it seems that the providers and their

clients agree that delegates at a residential conference gain more from, for example, making a short version of Crocodile Dundee than being told to emulate the film's hairy-chested hero. Ms Lesley Claff, managing director at Meeting Point Conferences (Europe), says: "Clients increasingly want us to fit in an outdoor activity, as people want to do something active with a purpose." But while clients want participants to be com-

petitive, they do not want them "to make idlots of themselves". Activities should be fun, motivating and educational, she says. Mr Guy Baker, managing director of Catalyst Event Management, says clients are looking for ideas that are creatively challenging as well as appropriate to the venue. Physical feats are not ruled out.

Catalyst asks comprehensive questions about what the client wants, and what is

appropriate for the participants."
For Goodyear, the US tyre maker, Catalyst organised an afternoon that tied in with the "Team Retail" slogan of the con-ference. In one exercise, a blindfold player reassembled cubes under the direction of

**Human side of the bosses** 14 team members using duck whistles they had to devise a new system of communication. "We are interested in chal-lenges involving lateral thinking and dis-

cussion," says Mr Baker.
The afternoon ended with participants spelling out "Team Retail" with their bodies on the ground, which was filmed from the air. Participants took home photo-For two newly merged companies Cata-

lyst devised a quiz where participants saw film of their new directors' homes and had to guess which belonged to whom. The aim was to show employees the human side of their bosses.

Both Ms Claff and Mr Baker note that clients want innovation combined with appropriateness both for their conference

theme and for individual participants.

"They are always looking for something new and different," says Ms Claff.

A sailing afternoon "brings peopla together in an unfamiliar environment, and forces them in their shared experience to work as a team", says Mr Guy Knight of Sunsail, a corporate sailing provider. They are not, however, press-ganged. They take part in races, where the challenge is not so much mastering nautical know-how hut matching crew members to particular tasks or working out navigational tactics.

Mr Chris Hillman, partner in Corporate Adrenalin, says clients ask for activities that "put people in stimulating participa-tive events, with the onus on them to achieve various tasks". It is also fun. The clients emphasise motivational

team work and developing employees

roles in achieving the company's targets Participants leave "high, motivated and educated," he says.

Corporate Adrenalin's Starbased Labyrinth is a computer controlled game requiring participants to negotiate a "labyrinth" presenting different kinds of chal-

lenge, such as action or puzzle challenges.

A business element is customised to the

client - for example, remedying a fault on

a car for a team of technicians.

Clients do not always emphasise education and strategic planning. As Ms Han-nah Stephens, marketing director at motor sports specialist Drive It All, points out, they may simply want to reward staff who have given up free time to attend a conference. After a morning's work, participants enjoy activities such as driving 38-tonne trucks, quad bikes, rally driving, a fire engine challenge and blindfold Land Rover driving. They are divided into teams, not just for any team building value, but because they enjoy competition as a way of testing new skills.

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# Working class mores romanticised

effects of discriminating in favour of black and Hispanic employ-ees in the US has been to create the suspicion that all blacks and Rispanics can achieve their positions only with the help of quota systems. Naturally enough the people most angry at this are those black and Hispanic people who were perfectly capable of achieving their positions on merit. In British television there is a danger of a similar problem arising when programmes ere chosen not because of their originality, flair or excellence but because they fill some quota deemed by broadcast-ing bosses to be vital for social rea-

ne of the unforeseen

If I was young I would resent the assumption which seems to lie behind "yoof" series, that everyone between 18 and 24 is unemployed, loves lager, alternative comedy and rock and roll, and endorses greenie politics. If I was black I would be outraged at the frequent assertion that I need to be targeted with specially made programmes, as though having a black skin made me incapable of appreciating Ibsen. Beeth-

oven or Dennis Potter. Worst of all, however, is the patronising sentimentality which so many senior broadcasters bestow upon the working classes. Broadcasters would no more set out to bolster the idea of being proud to be uppermiddle class than they would seek to exemplify the slogan "Tm white and I'm proud". But pride in being working class? Another matter altogether.

The result is doubt and suspicion that might otherwise never have existed. What is the idea behind BBC2's new Friday night series The Mrs Merton Show? Any channel controller faced with a proposal for yet another spoof chat show, this one chaired by a comedian got up to look like a middle-aged woman is obviously going to ask "What will stop it seeming like a second rate Dame Edna?" One answer in this instance is that, instead of

being a man in drag, the chair person really is a woman (Caroline Hook) and in television you do still win lots of Brownle points for simply being a woman. But since Mrs Merton cannot match Dame Edna for originality, eccentricity, or outrageousness - some would say genius - we are still left wondering about the point of the exercise. It is hard to avoid the feeling that the answer is "Mrs Merton is a working class northerner who fills the studio with her working class friends and they ask the guests the most frightfully dim working class

Similar doubts are prompted by dramas which seem to be aiming at the apotheosis of the working class. Would any writer have managed to get 2% hours of peak time on BBC2 with a two-part drama like Blood And Peaches if it had treated mid-dle-class life in the same imprestin Sadofski's story of young adults in Bradford? There were enjoyable nuggets: the Beach Boys pastiche with ironing boards for surf boards; Rosemary Leach's Nan, a woman crossing from middle to old age who pursues men, talks to her dead husband and enjoys video games, but is beginning to find she is occasionally incontinent; the forklift truck race.

But there were infelicities too: the presence of the politically correct sermon for girla about the hopelessness and uselessness of men, and the absence of any such sermon for hoys about women; Sue's anxious search for help with an abortion which ignores the fact that she is a nurse with a nurse's contacts; and the failure (shared, admittedly, with all filmed drama) to represent the way that people, even lovers, actually kiss one

another - they do not open their months wide and then bite down violently. Much of the material here looked like apprentice work with early odd joh experience injected straight into the scripts.

e may be told that

Sadofski is an np and coming young(lsh) writer, and that talent has to be nurtured somewhere, which is true. The same can scarcely be said of Jimmy McGovern who wrote Hearts And Minds for Channel 4, a four-part drama abont life in a comprehensive school in Liverpool. McGovern's previous efforts include Cracker and you cannot get much more professional or high-profile than that. However, with the tyro English teacher, Drew, turning up to begin his first teachepisode of Hearts And Minds looked very like a lot of other school dramas in which a charismatic English teacher suddenly makes the whole point of education clear to the previously rebellious pupils.

Drew does it by eschewing his mentor's tedious lecture on the iambic pentameter, choosing instead to beat out the rhythm of Masefield's Cargoes on a desk lid. In a flash the pupils who were previously sleeping, fighting and chat-ting are all with him, rapping away like crazy, ripe for sprung rhythm, panting for the Four Quartets, and converted to a lifetime love of all things poetic ... or are they? I suspect that this drama may turn into a contradiction of the conventional starry-eyed view of inspirational teachers. But so strong is the tele-vision tradition of romanticising working class mores that it is hard ing job, the opening of the first to be sure without seeing more epi-

sodes. At the moment we are still in the position of belleving that black people need quotas to succeed - that dramas set in this sort of milien must be soft and sentimental on the working class. The assumptions of those who

run broadcasting, or at any rate the BBC, are clear from People And Programmes which is littered with loaded phrases such as "The young can find much of our output middle-aged". It could be said that the numerically more significant middle aged can find much of the out-put obsessed with yoof. Attitudes towards the working classes seem like a hangover from the 1960s -"Hallo trees! Hallo sky! Hallo dear little borny handed soos of toil!" or even the 1860s: there is a deep sense of melancholy at the disappearance of the smokestack indus-tries even though the living they provided often involved dreadful ardship. The combination of nos talgia, sentimentality and indulgence when middle-class media folk turn their attention to the working class is dated, unrealistic, patronising, and as counter-productive in the long term as the American

#### Theatre/Antony Thorncroft

### Design for Living

tephen Daldry has much to answer for. His vivid reinterpretation of that old carthorse, An Inspector Calls, ushered in a revival of director's theatre, where the text becomes the plaything of fevered imaginations. Sean Mathias has homed in on Noel Coward's Design for Living, a light, even risky, comedy in 1933 when it was a star vehicle for Coward and his acting chums the Lynns, and turned it into a seething cauldron of gay

Mathias has a small point. The Coward clique thought themselves detached from the heavy-banded morality of the age and what happened under their scarlet sheets and silk kimonos beggars the imagination. There might have been an air of mischief when Coward wrote a play about a couple of chaps who loved the same girl but were too damn chummy to come to blows over

Whether Coward would have approved of a production in which artist Otto and playwright Hugo (how the names evoke the period) bring down the curtain by wrestling each other to the floor while detaching under-garments is doubtful.

Design for Living dispenses with a plot. Otto loves Gilda (did the name exist outside inter-war fiction?); so does Leo. She loves both and, happily, Leo and Otto are soul mates so there is no real doubt about the final outcome; the stage trembles under the weight of troilism. Boring old stick Ernest loves them all, but only gets the chance to marry Gilda. Why, at the finale does he seem to be the

most sensible person around? That is the weakness of Mathias's production, transferred from the Donmar Warehouse on a wave of critical acclaim. There is no tension between the mutually adoring trio. As gilded youths, they are the most ghastly characters imaginable. They think that talent and money enables

20

them to get away with mocking both the workers, who slave for them, and the aristocracy, who indulge them, while they devote their lives to every pleasurable whim. Yet their camp repartee and sexual indulgence gives them the best lines and actions, and

certainly the approval of Mathias. It might work if it was done strictly d la Coward, who was as mannered a writer as Wilde. But Mathias keeps to the spirit of the age while going for ambivalent clothes and designs; there is no sense of any real world. Worst of all, he allows Leo (Marcus D'Amico) to step straight from the local polytechnic; I do not think you can mouth Coward's apborisms in an Essex accent.

Rupert Graves as Otto gradually develops some style. He helps the production pick up steam from a terribly limp first act, set in Paris. By the second act we are in London, and the bright young things are returning each other's perfectly formed witticisms like Wimbledon finalists, while in the New York finale Mathias goes completely AWOL and throws in surrealism, amateur actors and a gay heaven, with even the waiter subject to the glad eye and Gilda coping with

a lesbian grope. Rachel Weisz, as Gilda, a survivor from the Donmar, does her best to hold the whole thing together. She uses her majestic height and a minimum of clothing to stamp a real, if overwhelming, personality on her posturing limp admirers.

Mathias also hits gold in Miss

Hodge (Johanna Kirby), who should have been a cockney servant but is instead an aspiring yuppie. In such a theatrical production, with a cleverly themed set hy Stephen Brimson Lewis, there are undoubted eye catching moments; but we are asked to enjoy a party which is best survived with our backs against the

At the Gielgud Theatre, W1.



Marcus D'Amico, Rachel Weisz and Rupert Graves

f you love the work of W.H. Auden and fancy a teasing look at his life, Strictly Entre Nous is for you. If, however, you are eager to learn more about Auden and bone for a play that, along with his wit, charisma and mischievousness, will give you a sense of the stature of his intellect and the brilliance of his poetry, Strictly Entre Nous will leave you feeling sold short.

Vince Foxall's playful two-hander (at BAC) focuses on the last hours of Auden'a life, when the poet, having given his lecture to the Austrian Society of Literature, returned to the hotel room where he was to die thet night. Rather than simply see his life

### In the spirit of Auden

lenges him to examine his life.

Tha piece is cleverly structured with the two men constantly swap-ping roles to whisk you through Auden's life - conjuring up his precoclous early self at school, his years at Oxford (told on arrival, "it's either homo and hrains or hetero and brawn"), his time with Isherwood in Berlin, his relationship with Chester

flash before him, in Foxall's play the world-weary, ageing poet is visited by his passionate younger self, who teases and torments him and chalpiece twinkles with bons mots, witty

repartee and innuendo. it is performed with great relish by Dudley Sutton and Rupert Holliday-Evans, both of whom strikingly resemble the man himself. While Holliday-Evans has a crisp, energetic presence as the younger Auden, Sutton is quite moving as the older poet, with his benign, creased face blinking

mischievously. Bill Pryde's fluent direction moves the two of them round the stage as in a dance and, as they remonstrate with each other, the plece touches on interesting ground about the nature of self and the limi-

tetions of the choices we make. But this, like everything in the play, is only touched on. It is an entertaining and refreshingly unearnest show, far preferable to a piece of dry literary analysis, and the mood does darken in the second half to sug-gest something of the loneliness of

the old man. But it is also deeply frustrating. You get a sense of the complexity and wit of the man, but you only glimpse flashes of the scope of his mind and thoughts - there is plenty of dazzle, less depth. You can well credit this Auden with the witty hallads, but it is harder to discern the man who wrote "Musée des Beaux Arts". Perhaps this does not matter after all, it is fun while it lasts - hut you depart feeling you have been at a

buffet where you could have had a

Sarah Hemming

#### Music in London/Richard Fairman Dohnáyni's Brahms

# and Dawn Upshaw

used to mark the beight of the music season on the South Bank, but not any more. This year sees what must be the smallest number of concerts at the Royal Festival Hall in any February for years - the inevitable result of orchestras with financial worries.

In theory, restricting the supply should increase demand for the concerts which are left, and there was a good house for the Philharmonia's evening of Brahms on Sunday. In the absence of a music director, Christoph von Dohnanyi is the most prominent conductor on the Philharmonia's roster although that might not be obvious to British concert-goers. His position as principal guest conductor is primarily visible in Paris with the orchestra in Its residency at the Théatre du Châtelet. Plans there include an ambitious array of opera productions, including Schoenberg's Moses und Aron and Wagner's Tristan und Isolde.

Dohnányi is respected as a disciplinarian and the Philharer-than-average playing in this first concert of the Brahms symphonies. It is not often that so much detail is beard in these scores, primarily because the ensemble was so exact. Dohnányi arranges the orchestra with violins split on either side and double-basses unconventionally back left, which may have enhanced the clarity further, but unfortunately did little to soften the Philharmonia's habitual lack of warmth in this hall. Upper strings are hard and penetrat-ing, which detracts from the precision of the playing.

To a conductor who values tough argument in Brahms over beautiful sounds, this is possibly not a major concern. Dohnányi is a classicist rather than a romantic, a Klemperer rather than a Karajan. When he has visited with his Cleveland Orchestra, his performances have often seemed didactic, but bere there was more spontaneity. The opening movements of both the Fourth and the Second symphonies surged forwards with plenty of momentum: the scherzos were nimble end playful. In the

he month of Fehruary finale of the Second, Dohnany almost seemed to let himself go. The end of the concert was positively exciting, which is not a description one would normally associate with this conductor. Perhaps he and the orchestra are bringing out the best in each other.

> o many music-lovers in the UK, Dawn Upshaw is best known as the disembodied soprano who sails over the orchestra in the bugely-popular recording of Gorécki's Third Symphony. She does not visit this country often, so her recital on Friday at the Wigmore Hall was welcome.

In principle, it is a good thing to draw the audience into a recital by introducing the songs, but that depends on what the singer has to say. Dawn Upshaw's thoughts on her first half of Debussy went little beyond, "I like these songs and I bope you will too", a sentiment expressed with cloying winsomeness. The singing was inclined to be over-sweet too, although Debussy's early settings of monia rewarded him with bet- songs like "Mandoline" and later to re-write in simpler versions, are uncharacteristically elaborate. French sopranos tend to become acidic when the music skips up to top B's and C's, hut Upshaw's soprano was always comfortable.

Robin Bowman, who took over at sbort notice from Charles Spencer as accompa-nist, is a specialist in the French repertoire and also acquitted himself bonourably in the American songs that followed. Five of Copland's Emily Dickinson settings and three songs by Ruth Crawford Seeger might have had more variation of vocal colour, hut their poetry was delivered with subtlety. Berg's Seven Early Songs, which would have been thought too big for this voice a few years ago, elicited warm, detailed singing, preferable to the heavyweight performances Wagnerian sopraoos give them. It was an adventurous programme, which paid off.

Phllharmooia concert spoosored hy AT&T. The second Brahms symphooy concert fol-



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CONCERTS Barbican Tel: (0171) 638 8891 Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra and violinist Midori to play Stravinsky, Sibelius and "Tippett's Symphony No. 4";

7.30pm; Feb 23 Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra With mezzo-soprano Maria Popescu and tenor Laurence Dale to play Tippett's, "The Mask of Time";

7.30pm; Feb 28 Festivai Hall Tel: (D171) 928 8800 City of Birmingham Symphony Orchestra: with pianist Paul Crossley and the ladies of the CBSO Chorus. Sir Simon Rattle conducts Stravinsky, Messiaen and Bartók; 7.30pm; Feb 25

 Philharmonia Orchestra: Christoph von Dohnányi conducts Brahms' symphony No. 3 and No. 1; 7,30pm; Feb 27 Pinchas Zukerman: Philip Ledger conducts the violinist and the English Chamber Orchestra to play

Bruch and Beethoven; 3.15pm; Feb ● The London Philharmonic: Zubin Metha conducts Schubert, Berg and Elgar, 7.30pm; Feb 23 ● The London Philharmonic: Zubin

Metha conducts Wagner and Webern; 7.30pm; Feb 26 GALLERIES National Gallery Tel: (0171) 839

 Spanish Still Life: from Velázquez to Goya.; from Feb 22 to May 21 Roy Miles Gallery Tel: (0171) 495

 Anderson and Low: platinumladium prints of images based on classical themes, ranging from sculpture and Renalssance tableaux to geometrical studies; to Feb 28

OPERA/BALLET English National Opera Tel: (0171) 632 8300

 Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Feb 22, 24, 28 Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a Mafia boss; 7.30pm; Feb 23 Royal Opera House Tel: (0171) 340

Der Rosenkavalier: by Strauss.

Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30pm; Feb 24 Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Feb 25 (1pm)

 La Bohéme: by Puccini. Conducted by Simone Young/Paul Wynne Griffiths, directed by John Copley. Sololsts include Angela Gheorghiu/Amanda Thane as Mimi and Maria McLaughlin/Judith Howarth as Musetta; 7.30pm; Feb

 The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens & Benjamin Britten 'mini festival' at the Royal Opera; 7.30pm; Fah 22

THEATRE Albery Tel: (0171) 876 1115 Cell Mates: written and directed by Simon Gray and strarring Rik Mayall and Stephen Fry; 8pm; (Not Sun)

wich Tel: (0181) 858 7755 The Duchess of Malfi: by John Webster, directed by Phillip Franks. With Juliet Stevenson and Simon Russell Beale; 7.45pm; (Not Sun) National, Ofivier Tel: (0171) 928 The Merry Wives of Windsor: by

Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15pm; Feb 28 Shaftesbury Theatre Tel: (0171) 379

● The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. The Theatre de Complicite presents this violent love story; 7.30pm; to Feb 25 (Not Sun)

#### ■ NEW YORK

**GALLERIES** Guggenheim Tel: (212) 423 3652 Ross Bleckner: mid-career retrospective of the American artist consisting of approximately 75 paintings and works on paper, to

Metropolitan ● Early Renaissance Florence: 100

panel paintings and manuscript Illuminations by masters of the Gothic style; to Feh 26 (Not Mon)

Thomas Eakins: exhibition honouring the 150th anniversary of installation of about 30 works from the museum's holdings explores ths museum's continuing interest in Eakins: to Feb 26

BAC, Battersea (071 223-2223).

OPERA/BALLET Metropolitan Tel: (212) 362 6000 Der Rosenkavalier: by Strauss.
 Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Feb 24

La Traviata: by Verdi. Produced

by Franco Zeffirelli, conducted by John Flore; 8pm; Feb 22, 25 (1.30pm) Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8pm; Feb 25, 28

 Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8pm; Feb 23, 27

#### PARIS CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 Orchestre du Centre National des

Arts du Canada: Trevor Pinnock conducts Schubert, Haydn, Bouchard and Mendelssohn;

OPERA/BALLET Opéra National de Paris, Bastille Tel: (1) 47 42 57 50 La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists includa Béatrice

Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30pm; Feb 23, 25, 28

#### ROME OPERA/BALLET

Teatro Dell' Opera Tel: (06) 481601 ● Cosi Fan Tutte: by Mozart. The Royal Opera House, London staging directed by Jonathan Miller comes to Rome with conductor Evelino Pidò; 8.30pm; Feb 24 (6pm), 26 (4.30), 28

#### ■ VIENNA CONCERTS

Gesellschaft der Musikfreunde Tel: (1) 505 13 63 Oslo Philharmonic: Mariss Jansons conducts Strauss, Stravinsky and Ravel's "La Valse"; 7.30pm; Feb 25, 26

#### ■ WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467 480D James Galway: flutist with harpsichordist Phillip Moll plays Bach and Handel; 5pm; Feb 25

OPERA/BALLET

Kennedy Center Tel: (202) 467 4600 Manon: by Massenet/MacMillan. An American Ballet Theatre production; 8pm; Feb 28

THEATRE Studio Theater Tel: (202) 332 3300 Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going, Sun 2pm and 7pm otherwise; 8pm; to Feb 26 (Not Mon)

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#### **Edward Mortimer**

Most of last week's excitement about the resignation of a British junior minister de rived simply that this was yet another sign of division within the government about Europe. But Mr Charles Wardle added a frisson by connecting Europe with the issue of immigration, thus allowing English xenophobia to hlast off

with both barrels. Your typical English xenophohe sees his way of life threatened from two direc-tions. Not only will be be shackled by absurd regulations drawn up in Brussels hut also reduced to a minority in his own neighbourhood hy people of a different race and culture.

Normally these dangers are distinct. The "immigrant" communities who are the object of prejudice within the UK do not come mainly from other parts of the EU. But Mr Wardle raised the spectre that the dreaded Brussels bureaucrats might force Britain to disman-tle lts border controls, allowing in hordes of illegal immigrants from what are known in EU

jargon as "third countries" Mr Wardle thinks a declaration appended to the Single European Act at the then Mrs Margaret Thatcher's insistence provides insufficient legal protection for UK border controls He wants Britain to insist on writing a watertight safeguard into the Maastricht treaty when it comes up for revision next year. His argument with his former ministerial col-leagues is essentially about tactics. They take a more political, less legalistic, view of bow the EU works. They are right.

In EU meetings it is better not to be demandeur. To change something as sacred as the wording of a treaty, you need 14 other governments' agreement and, if you get it, you are likely to pay a high price. If other people want a change you do not like, you are in a strong position. It would take a determined alliance of the Commission and EU governments to browbeat Britain into lifting border controls and there is no sign it is a high

For the moment, seven EU members are planning to lift border controls among themselves from March, under a treaty outside the EU structure. This should be a formal- from the one you claim to be

The final frontier

UK xenophobes have little to fear about EU laxity on immigration

Ity, since you can drive back and forth between these countries without slowing down as you cross the border. But they are years hebind schedule because it has been so difficult to achieve sufficient confidence each other's policing arrangements to rule out bor-

der controls altogether. The fact is that most other EU states are at least as tough as the UK about keeping out unwanted "third country nationals. The thrust of EU co-operation on immigration issues has not been about

The EU can hardly be accused of being soft on third country nationals'

removing internal borders but about tightening external ones. This has included an attempt to forge a common front against people claiming to be potitical refuge

in Dublin in 1990 EU members signed a convention under which asylum applications should normally be dealt with in the first EU state in which an appticant arrives, Even if you have family in Britain, the fact that you spent a few hours in Paris or Brussels airport en ronte to London entitles the UK to return you to France or Belgium without examining the substance of your case.

In London in 1992 EU inte rior ministers agreed to extend this principle to states outside the EU, known as "safe" or "host" third countries. This means you can be sent back to any supposedly safe country outside the EU through which von have passed on the way

fleeing - again without the substance of your case being

private sector, Mr Edmond Alphandery has decided to take a breather. There will be a pause in privatisation issues

until after the presidential

elections," said the economy

minister last week, citing the distraction of the spring poll and the need to prepare the next hatch of self-off candi-

The passage of the Gauloises

and Gitanes cigarette hrands

into private hands may also

tempt Mr Alphandery to puff a

celebratory cigar. France's pri-

vatisation programme, in which 21 public sector compa-

nies have been sold or slated

for sale, has emerged as one of

the most successful policies of

the centre-right government of

Mr Edouard Balladur, the

Taking into account the

FFr5.5hn (\$1.03bn) or so reaped

from the sale of Seita, the gov-

ernment has garnered total pri-

vatisation receipts of almost

FFr110hn since it launched its public sector sell-off in 1993.

central plank in Mr Balladur's

fiscal strategy, enabling the hudget deficit to be narrowed

to FFr300bn last year. Popular capitalism, employee share ownership and the Paris finan-

cial markets have all been

The question now is whether

momentum can be maintained.

The presidential campaign has

brought the policy of privatisation under fire, while the weak-

ness of the stock market and

the fact that many of the best

public assets have already

heen sold suggest the going could get tougher. With a fur-

ther FFr50bn from privatisa-

tion receipts hudgeted this

year, the smooth resumption of

asset sales will belp determine

whether France can continue to curb its budget deficits. On the political front, the

clearest attack has come from

Mr Lionel Jospin, the Socialist

contender for the presidency.

He said last week be would

halt the programme of privati-sation should be succeed in

fighting his way to the Elysée.

indicating a return to the "Ni

Ni" [neither, nor] policies of

the previous Socialist adminis-

tration of 1988-93, be said be would not allow further sales

of public sector husinesses,

although those already sold

To most observers, Mr Jos-

pin's assault represents a lim-

Ited threat. Although the Socialist candidate has gained

ground on Mr Balladur in the

would not be renationalised.

dates.

Today in Brussels the European Council on Refugees and Exiles will publish its findings\* about how this works in practice. The cases make harrow-ing reading. A family of Iraqi Kurds asked for asylum in Slovenia, which they reached via Jordan and Italy. Slovenia returned them to Italy and Italy promptly returned them to Jordan. Next day the UNHCR representative in Jor-dan was told at Amman airport the family "had decided to go back to Iraq".

Another Iraql was sent back from Denmark to Italy, accompanied by Danish police, then from Italy to Tunisia where he was imprisoned and interrogated, allegedly heaten and burnt with cigarette ends. threatened with being turned over to the Iraqi embassy - but eventually sent back to Denmark where he now has refu-gee status. If his application had been substantively examined in Denmark in the first place, not only would he have been spared a very unpleasant experience but the Danish and Italian taxpayers could have

saved a lot of money.

The report shows the "safe

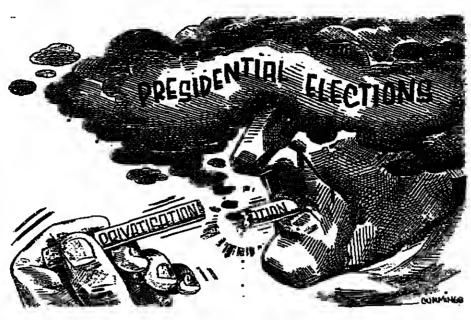
third country" system is not only inhumane but defeats its own objectives. It has actually increased the incidence of "refugees in orbit", being shuttled hetween different EU countries; and it involves costly procedures, examinations. accommodations, detentions and air fares before an asylum seeker's claim is examined on its merits. Where refugees are genuine, it subjects them to unjustified harassment, and risks their eventual return to the country from which they fled, while ignoring their own wishes and connections in other countries. Where they are found not to be genuine, it delays that finding and involves European taxpavers in extra expense. Also, by making it more dangerous to apply for asylum, it encourages peo-ple to come in clandestinely, with a resulting increase in

"illegal trafficking of persons". There are many things about the EU which Mr Wardle could fairly criticise. Being soft on "third country nationals" is hardly one of them.

\* "Safe Third Country", available from ECRE, 3 Bondway, London SW8 1SJ. (Fax: 44 171

John Ridding says presidential elections will only aving disposed of Seita, the French briefly divert attention from French privatisation monopoly, to the

### Pause for breath after tobacco sale



minister retains the edge in opinion polls for May's decisive second round of voting. More importantly, opposition to pri-vatisation has failed to strike a

chord among the population.

The explanation lies partly in the appeal to individual investors and employees. More than one million individuals stumped up for shares in Seita. as did about 75 per cent of its employees. Most of the other issues, from Elf Aquitaine, the oil group, to Rhone Poulenc, the chemicals and pharmaceuticals concern, have each drawn more than 2m investors. There is a strong vested interest in the privatisation programme," says one Paris stock-

At the same time, the government has avoided some of the pitfalls of the previous privatisation programme, between 1986 and 1988. At that time. Mr Balladur, then finance minister, was criticised for organising natworks of allies to form core shareholder groups in privatised companies. This time, the issue has been defused by creating a privatisation commission, an independent body advising the

government on the conduct of

asset sales. "The operations have been managed professionally," says Mr Michel Fleuriet, president of Merrill Lynch Finance in Paris. "They have learned a lot from 1986-88."

The smooth progress of pri-vatisation has enabled the government to reap political, well as financial, capital. Tak-ing a swipe at Mr Lionel Jospin, Mr Alphandery said that the Seita sale demonstrated the strength of popular support for the programme. "Mr Jospin is living in the past," said Mr Alphandery. "He has not understood the movie."

hether the movie has a happy ending will depend not only on a conservative victory. A government reshuffle after pre tial elections could take Mr Alphandery from the director's chair. Whoever is in charge is likely to face the challenge of a weak stock market and a smaller cast of star companies to offer to investors.

"It is likely that it will become more difficult. They are coming to more cyclical or loss-making companies," says Mr Fleuriet of Merrill Lynch. Like many nthar investment

bankers, he helleves the French stock market will remain feebie this year, weighed down hy the high level of real interest rates and inflationary iltters in international markets.

Mr Alphandery remains sangaine. "Our experience so far shows we can implement privatisations whether market conditions are good or bad," says the economy minister. He points to the flotation of Renault and the privatisation of Union des Assurances de Paris, France's largest insurer, both of which took place against deteriorating market condi-

Officials also point to the sale of Seita as proof of contin-ued investor interest. Individnal investors applied for almost four times the number of shares they were allocated, a rate exceeded only hy the first two privatisations. Rhone Poulenc and Banque Nationale de

As for the next candidates for the auction block, Mr Alphandery says there are several irons in the fire, Assurances Générales de France, the insurance group, is ready for sale and awaiting a more

to the economy minister, the hiatus in Issues will also enable the government to proceed with preparations to self Usinor Sacilor, the steel manufacturer. The groundwork for the flotation of a stake in Caisse Nationale de Prevoyance, the insurer, is also near-

ing completion.
Officials reject the idea that they are now entering the lame duck phase of the programme, a description prompted by the descent of the sell-off list towards such loss-makers as Crédit Lyonnais, the aiting bank, and Air France. One aide to Mr Alphandéry claims that the quality of corporate assets is adequate to maintain tha momentum of privatisations and that restructuring measures at problem companies will guarantee a further flow of candidates for sell off. "Renault was described as a lame duck 10 years ago," he says. "When we floated it last year it was one of the most profitable international motor groups."

Such an argument is supported by the turnaround at Isinor Sacilor and Groupe Bull, the computer manufacturer. Productivity and costcutting measures were an important factor in the steelmaker's return to the black last year after a net loss of FFro.7bn in 1993. Similarly radical cost-cutting measures at Groupe Bull allowed it to announce last week a return to profit at the operating level. Its privatisation, through the sale of stakes to industry partners. will not be affected by Mr

in restoring the fortunes of the weaker memhers of the public sector, the chairmen of the companies concerned and the government may find themselves in a stronger position after the presidential polls. One industry analyst at a French merchant bank argues that tough restructuring measures at some companies, such as Air France, have been prevented by political sensitivities. Other companies on the list of 21, such as Aérospatiale. bave been barred from privatisation hecause of President Mitterrand's opposition to the sale of companies from the

fence sector. The implication is that a conservative presidential victory could reduce obstacles to more radical restructuring measures and remove the sensitivities caused by the government's cohabitation with a Socialist president. As a result, Mr Alphandery's suspension of asset sales is more likely to represent a pause for breath than a shortage of puff.

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#### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +14 171-873 \$938 (please set fax to 'fine').

Translation may be available for letters written in the main international languages.

### No need to pick on UK passport controls

the maintenance of border assport controls in mainland Britain should also consider the internal controls imposed hy many EU countries.

The widespread requirement to carry official ID at all times means that British citizens would still need a passport when travelling within EU borders according to the Schengen | eigners, including EU citizens,

lifting it out of their pocket or handhag at an immigration control point. Their continental counterparts travelling to the UK would similarly gain little in practical terms.

Far more of an obstacle to truly free movement within the EU are the residence permit requirements for all for-

zens, expatriates such as I must take time off work every few years to request a piece of stamped cardboard authorising continued immigrant status, in a process apparently designed to be as unpleasant and

time-consuming as possible for all immigrants. The only special requirement imposed by the UK, however,

agreement. Admittedly, they in much of mainland Europe. Is an extra question on the gagainst would be spared the effort of Despite legal status as EU citi- Electoral Registration Form. Those keen to remove waste-

ful and unnecessary obstacles to the single market would do far better to concentrate on such rules. Picking out the UK's position on passport controls smacks of hypocrisy and cheap point-scoring.

Ritterstrusse 11, Dusseldorf 40213, Germany

**S** Koreans

#### Paranoia not just confined to the British

From Mr Anthony Mayer.

Sir, As a dual French-American national, guilty of being an anglophile, let me express some disappointment at James Morgan's article, "Just because we're paranoid" (February 11/ 12). The English delight in national self-deprecation gains when halanced with more objective cultural insights about others, assuming that Angle-Saxon observers can set aside their idealised romance with France. For sure, seldom do we find a French journalist straying far from the Gallic taboo of talking down his country in front of foreigners, let alona in a nawspaper with broad international read-

Right or wrong, it's France first when confronted with the outside. A rather chauvinistic French media and narcissistic Parisian culture present less of

the international media orientation that can be found in a segment of the UK press or hroadcasting. But to say the French reserve their "paranois" for "trivial" matters such as trade or television, while being generous on matters of civilisation, ignores a deeply ingrained French protectionism, and tradition of cultural

nationalism and centralism. insular on these shores will national identification or patriotism in France, a country less

The proud slogan, Vive la difference, made official doctrine hy General de Gaulle or the Jacobist. Mr Chauvin, is marketed with mercantilist flair when it comes to the country's image abroad. Moreover, what easily passes as xenophobic or often be seen as healthy prone to political puritanism.

France or Germany would probably be far more hostile to Europe if they ware in Britain's shoes. The UK pays the second highest net contribution to the EU's budget (although its income per capita is clearly below France's) yet has a marginal influence compared with the politically dominant France or economically

the idea of rocking the EU sta-tus quo when it overlooks gan perhaps failed to see lying west of the Channel tunnel was the anglophobic. Anthony Mayer,

As for the carlcatured Suro-sceptics, suffice to say that New York, NY 10025, US

From Mr Austin Mitchell MP. Sir, The finance director of the Bredon Gronp (Letters, February 9) should review his own "basic economics". The rate of exchange, like the rate of interest, is a market clearing mechanism and economically defensible only if it enables the nation to balance its overseas accounts in conditions of full employment at a high and sustainable rate of growth. That requirement cannot be met hy a fixed exchange rate. In an ever-changing economic world, the equilibrium rate must itself

change. A fixed exchange ties a nation to the deflation/inflation from which its neighbours suffer, and the law of comparative costs in international

try, however backward, can make full use of all its resources provided, and only provided, its exchange rate is correctly positioned. Britain has fallen from third

to sixth place among industrial nations since 1973 because it has combined the loss of tariff protection against the EEC Six with an increase of no less than 35 per cent in the real exchange rate. Manufacturing output in the previous 21 years rose 115 per cent. In the 21 years since, it has increased by less than 5 per cent. Imports have nearly quadrupled, taking nearly half our market. Hence the loss of 3.5m jobs in manufacturing.

This is because the monetary and exchange rate policies purtrade tells us that every coun- I sued by the Bank of England dominant Germany.

Confident self-flagellation may denote a national identity taken for granted. Howaver, Britain's legitimata interests does not necessarily equate to this alleged "little Englan-der's" sin. In short, what Mor-

Industrialist's view of basic economics is flawed put the interests of the manipulators of wealth before those

of its creators. With the blessing of the chancellor the Bank has now raised interest rates and the exchange rate to make our goods even less competitive on price than they were in 1990-92

The real rate against the Ecu is even approaching the dark days of 1980-81. Which is why this "recovery" will peter out because the rate of return in the import and export-compet-ing industries is far less than in industry generally and far less than is required to invest in increased capacity. Austin Mitchell

House of Commons, London SWIA GAA, UK benefit from low pay in Europe From Mr Chris Pond.
Sir, Dr Michael C.
McDermott (Letters, February

17) suggests that those South Korean companies that have been establishing plants in the European Union have been doing so in order to further their objective of global expansion, and are neither "hrave" nor "foolish", as your earlier article, "Big gamble on a Euro-pean thrust" (February 10),

An article in the French newspaper Le Monde at the beginning of February, which was based on interviews with Taiwanese and South Korean industrialists, suggests a further explanation for this inward investment into the

It said: "Asiatic firms are arriving in Europe to enter new markets and to profit from low wages, as in the north of England and Northern Ireland. but also in the Republic of Ireland, Spain and Portugal. So Korean industrialists rejoice in the weakness of social constraints since the Thatcher era and in the refusal of London to sign the European social chap-

Perhaps now we will hear the end of ministerial assertions that the UK must reduce its lahour costs to compete with the "new tigers" of the Pacific Rim. Chris Pond.

director. Low Pay Unit, 27/29 Amwell Street. London ECIR IUN.

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#### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday February 22 1995

### Choosing a head for WTO

appointment of the successor to Mr Peter Sutherland as director general of the World Trade Organ-isation, successor to the Gatt, has become more than embartassing. It is damaging the credibility of this long desired new presence in global trade. It reveals a lack of urgency about setting the WTO on a sound footing. It also reflects inadequacies in the process of selecting heads of international organisations, previously demonstrated in the search for a new secretary general of the OECD. There must be a better way. In the case of the WTO, it needs to be

The race to win the leadership of the WTO has been under way at least since last June. Unfortunately, none of the threa announced candidates - Renato Ruggiaro, former Italian trade minister and tha European Union's candidate, Carlos Salinas, former president of Mexico, and Kim Chul-su of South Korea - is in sight of the winning tape.

Some Europeans do not see things this way, arguing that their candidate has more votes among the contracting parties than the others. Yet this cannot be the decisive criterion in an organisation that has always operated by consensus and in which some members are in practice far more equal than others. What matters is a country's role in world trade. The 50 African countries export substantially less than Belgium. The 31 countries of Latin America and the Caribbean export substantially less than Italy. These small powers cannot determine the choices of the US or EU.

#### Lame duck

Unfortunately, the all too public nature of the struggle has turned it into a question of political prestige. It has become easier to stand firm than to concede. But the issue is urgent. At present the WTO is headed by a man who, however capable, is a lame duck. What it needs to establish its credibility is a respected, dynamic and committed boss.

a consensus can still be reached on one of the three public candishould be established (maybe with reach a decision soon.

one from the US, one from Japan and one from other contracting parties, each working in a per-sonal capacity). Meanwhile, there should be no new candidacies. This committee should be given a limited amount of time in which to come up with an agreed candi-

No nationality requirement should be imposed, since it is absurd to suppose that a country would gain advantage from a director general of its own nationality. On the contrary, a new director-general would have to hand over backwards to show independence from his sponsors. Tha search committee should focus, instead, on finding someone with the needed qualities of strate gic vision, technical competence, diplomatic finesse, administrative skill and political forcefulness.

Grudging attitude

Unfortunately, the failure to agree on a new head for the WTO is not the only indication of indifference to its fate. Also significant has been the grudging attitude to the provision of the resources it needs. The budget of the WTO is a mere SFr105m (\$34.2m). Its professional staff is 200, which includes an additional 18 to reflect the increase in responsibilities. By contrast, the International Labour Organisation, hardly a central player in the global economy, had almost 1,700 professionals at the

Nobody wants the WTO to ecome yet another bloated international bureaucracy. But it does need the resources to service a host of committees, including the new dispute settlement procedures, clarify issues in world trade, assist less sophisticated members and prepare for additional members, such as China and Russia. It looks as though major powers want to starve the organisation. But the WTO will stand or fall by its credibility as an organisation dedicated to multilateral liberal trade. It needs the resources to carry out this task.

It also needs a head with the will to do so. The issue is not within the near future on whether whether the EU and the US can reach a consensus on who the new bose should be at some point in dates. Should the answer be no, a the future. It is whether they care small, high level search committee enough about this organisation to

### More folly in banking

Large subsidies for Air France and further compounded because Mr Groupe Bull have already slipped through the net of European competition policy. The signs are thet Crédit Lyonnais, now at the centre of a second rescue package within 12 months, will be allowed to follow suit. Yet the European Commission should not concede the point without a fight. It would be far better for both the European and French banking markets if this troubled institution were subjected to brutal rationalisation.

It will, of course, be argued that banking is different from other industries because of its role in the monetary system, and thet French banking is more different than most. Yet the striking thing about the recent history of Credit Lyonnais is how closely its mistakes resemble those made by others around the world. Under Jean-Yves Haberer the bank set out to dominate Europe's Single Market. It was also obsessed with global growth; and in its dash for glory it acquired the besetting sins of Anglo-Saxon and Japanese bank

Property provided a seductive target for its growth bungry loan officers, both at home and overseas, where Crédit Lyonnais became the second largest lender to Olympia & York's disastrous scheme in London's docklands. Equally impressiva in their ability to absorb large amounts of the bank's resources were such shaky entrepreneurs as Bernard Tapie, Robert Maxwell and Giancarlo Parretti, the Italian financier who bought Metro-Goldwyn-Mayer on a mountain of borrowed money.

#### Moral hazard

If there was a difference, it was that the old banking problem of moral hazard, whereby the implicit guarantee of a central bank lender of last resort encourages indiscipline, was made worse here by the explicit fact of majority state ownership. With hindsight the deferment of privatisation when the socialists returned to power in 1988 was singularly unfortunate. The capital markets may be imperfect monitors of bank management, but it is hard to believe that the 70 per cent-plus growth in gross lending at Crédit Lyonnais between 1989 and 1992 market panic. The problem was this case, for what it is: a pis aller.

Haberer was a former head of the French Treasury. The incestnous culture of French élite officialdom is ill-designed to provide checks and balances over someone with Mr Haberer's impressive credentials in the hierarchy.

This, then, is indeed moral hazard with a French twist, if not a difference: and a twist is also apparent in the slow-motion remedies now being applied by new boss Mr Jean Psyrelevade to a bal-ance sheet with total assets at 1993 values of nearly FFr2,000bn (\$390m). In fairness to Mr Peyrele vade, his unstated mandate has been to minimise political embarrassment before the presidential alection, while conducting a stately work-out. But his more formal mandate is deficient.

#### National champion

French retail banking has long suffered from overcapacity, which helps explain why the domestic competitors of Crédit Lyonnais have been up in arms over the soft treatment meeted out to a national champion that lost FFr6.9bn in 1993 and will record further losses in 1994. The group is of a size where its international competitors must also worry about where the subsidy process will end. From any sane economic perspective the sensibla solution would be to wind the bank down. And, given the fact of state control the threat of a run on deposits during this process would be

The more likely outcome is a fudge, in which the pace of asset sales will be stepped up in exchange for bigger guarantees for risky assets removed from the Credit Lyonnais balance sheet. Any injection of capital will probably be restricted to what is needed to meet the minimum solvency requirements of the Bank for International Settlements. to reduce political fall-out, and to placate the authorities in Brussels and Basle. There will be much irrelevant talk about the importance of not comparing banking with steel or computers in the context of subsidies.

A promise of privatisation would reduce, but not eliminate, the risk of a re-run. While welwould have falled to prompt a come, it should be recognised, in carcely a week goes by in Japan without news of another stockbroker falling victim to the country's prolonged stock market

agony.

Two weeks ago, Nomura Securities announced the first loss in its history, more than Y20bn (\$206m) in the first 10 months of the current financial year. Last week, CS First Boston, the US broker, became the third foreign broker in four months to abandon the trading of equities in Tokyo, following in the footsteps of Kidder Peahody and Prudential Securities. Yestarday Daiwa Securities revealed plans for a restructur-

ing of its global operations.

All these events are evidence of the dearth of activity on the Tokyo Stock Exchange. And the longer the inactivity continues, the clearer it becomes that this is not simply a cyclical downturn. It seems there bas been a longer-term structural shift within Japan's financial mar-kets, which has created an imbal-ance between demand and supply of

The data that track the market's declina make depressing reading. Daily trading volumes on the Tokyo Stock Exchange were over Ibn shares in 1988. That figure dwindled to 350m last year. The Nikkei index stands at just over 40 per cent of its 1989 level, and has declined by 15 per cent from the top of its brief rally last year, in spite of projections of output and earnings recov-

ery.

The volume of trading as a proportion of market capitalisation on the TSE is lower than in almost any other stock market. The total trad-ing value of \$475bn two years ago was just 21 per cent of total capitalisation; in the same year, the figure in London was over 60 per cent, in Paris 56 per cent, in New York 45 per cent, and in Frankfurt 30 per

For a brief moment last month it seemed that the Kobe earthquake might jolt the market from its lassitude. In the immediate aftermath of tha quake, like the needle on the seismograph, the Nikkei fluctuated wildly, and trading increased to more than 500m shares a day. But as the geological aftershocks receded, so did any sign of movement in the stock market. Trading volumes are back to 300m shares a

· Optimists say the market is merely stuck in a prolonged cyclical downturn and is set for recovery. With earnings expected to recover this year, they say the market will

"Investors will be positively surprised as profit forecasts are revised up," says Ms Kathy Matsui, strate-gist at Goldman Sachs in Tokyo. The optimists, however, are in retreat. The stagnation of Japan's stock market for the past five years

# Trapped in stagnant waters

The lack of activity that has afflicted Tokyo's stock market in recent years is far from over, says Gerard Baker

suggests that there are much more deep-rooted problems, and that this is a secular rather than a short-term cyclical decline.

The principal corollary of years of rising asset prices in the 1980s is the imbalance now within the equity market between the supply of and demand for stocks. "The prospects for the market can be summed up in one simple phrase," says one broker. "Japanese investors are oow, for the long term, strategic sellers and tactical buyers."

This conclusion is derived from the peculiarity of the ownership patterns for Japanese shares. In Japan, unlike in the US and the UK, the bulk of equity is owned not by pensioo funds, life assurers and investment trusts, but by banks and big Industrial corporations. The principal reason for holding shares is not to secure a financial return, but to further a business relation

Mr Andrew Smithers, an independent stock market analyst, says; "The Japanese market is not driven by profits or interest rates, but by ownership. Investors place a higher premium on shares than the simple monetary return they get and so the market has been overvalued for

In the heady years of the 1980s, industrial corporations, flush with cash, extended the embrace of their relationships. But in 1990 the process went into reverse. The high levels of debt that companies incurred forced them to find cash, and they did it through liquidating shareholdings. Many companies had decided in any case to loosen the ties that have long bound them together in industrial relation-

In every month in 1993 and 1994, industrial corporations were net sellers of stocks. In those two years, they sold a total of more than Y37,000bn in equity. But they remain heavily indebted and seem set to continue the process.

Mr David Pike, equity strategist at BZW Securities, says: "There is no question that there is an underlying shift occurring, gradually, in corporate relationships, which is leading to an undermining of the equity link." This shift is producing a weight of additional supply in the



1989 90 91 92 95 (Yen bn) 767.a 848.3 2.942.8 2.185.3

-1.725.3

-1.760.5

-2.932.8

-297.1

-755.8

22.9

-2.548.9 1.325.4

776.0

market. Industrial corporations still account for more than a quarter of all equity ownership and are likely to continue to dump those shares. So far, that selling pressure has been enough to depress but not overwhelm the market. The principal depositary of the sold stocks has been the banking sector. Banks had a particular motive for buying other companies' shares - they could count those shareholdings, at a dis-

Other financia

Individuals

industrial corporations

count, as part of their own capital. As stock prices rose in the 1980s. banks found themselves with more capital and therefore more room to expand their loan book. As competition to lend became fiercer among the banks, they secured their lend-ing market by buying shares in other companies to cement relationships. By 1993 banks owned more than 22 per cent of all shares.

But they may be approaching the retrenchment for brokers.

-352.0

-1.879.2

-1.147.2

-1.897.4

-1.850.3

end of this de facto support mechanism. The most important effect of their equity holdings is enormous volatility in the levels of credit the banks can extend to borrowers. The shares held as part of their capital make their ability to lend extremely vulnerable to movements in equity prices. As prices rise and fall, banks' ability to lend rises and falls as well, and because banks' profits are already under pressure from the weight of bad loans, the implications for overall liquidity in the economy are substantial.

Nomura Research Institute recently calculated that banks' dependence on equity boldings means that they can expand lending in the next few years by no more than 3 per cent annually. As the Japanese economy recovers and demand for bank lending rises, that position cannot be maintained. The only solution for the banks is to diminish their reliance oo other companies' shares and to increase their own capital by issuing more equity or equity-linked bonds

ut they are in a vicious circle. If they sell their equities, prices will fall, threatening their capital ratios and so further diminishing their asset base.
Instead their aim is to take any opportunity to sell into a rising market and diminisb that depen dence without threatening their capital base. This is part of the supply-demand equation that is behind

the depression in the stock market.

The disequilibrium would bave been much worse if the government had not intervened to prop up the market. Over the past three years. the authorities have pumped in up to Y12,000bn, through purchases of equities by public sector institutions such as pension funds. At the same time, a near-total ban by the government on new equity issuance has kept the supply of equity below what it would have been in a free market. Between 1989 and 1993, funds raised in public placements fell sharply, partly as a result of limited demand in the recession but principally because of the government's moratorium on issuance. But this "price-keeping opera

tion" has, as Mr Smithers points out, merely delayed the inevitable. The price-keeping operation has prevented the market from performing its primary function, the provision of risk capital. The government is simply adding to Japan's longerterm problems by inhibiting the refinancing of Japanese business

The support cannot last indefinitely. It is costly and ultimately inefficient. Only by allowing the market to reach its own equilibrium can its loog-term prospects be guar anteed. And for the immediate futura that spells continued

#### Andrew Adonis and Ian Rodger on UK government ideas for a Swiss-style reform of welfare

be welfare agenda of the Conservative right in the UK used to be clear and unsubtle: cut as much as is electorally palatable.
Mr Peter Lilley, social security

secretary, has honed a more sophisticated approach during his three years in charge of Whitehall's biggest spending department. A twin-track strategy is evolving, in which piecemeal cuts run hand-in-hand with a new emphasis on devolving welfare responsibilities to lower tiers of government

Mr Lilley says the strategy is approach to tax reform in the 1980s, taking one or more big areas each year and then moving on without seeking to impose an elegant intellectual structure on the real world". It is a strategy of pragmatic

reforms in pursuit of a controversial goal. "I want to see us closer to the Americans than the rest of Europe on public spending as a proportion of national income." says. "It is important that we keep clear water between our tax level and that of the rest of Europe." Yet Mr Lilley does not fit the conventional Tory Europhobic mould. One of the extraordinary things

### Regional allowance about Whiteball is how little it ism" - the movement of claimants responsibility. Yet the welfare state

knows about what happens abroad," he says. "We have got the most centralised and uniform benefits system of any I know, yet it is not clear thet our centralised system has always delivered better results than more decentralised systems." He cites Switzerland, "at the opposite extreme to us" with its 23 separate cantons, as a country which has "combined the most generous rates of benefit in Europe with one of the lowest levels of

dependency".

The Swiss reality is not so simple. Many components of the Swiss system - notably old-age pensions and accident, disability and unemploy-ment insurance - are uniform across the country, and not particularly cheap. But health insurance and family allowances do vary between cantons, sometimes to a startling degree. In Zug, the canton with the highest income and wealth per capita and the lowest taxes, the minimum monthly child's allowance is SFr160. In hard-pressed Zurich, it is only SFr100. "Welfare tourfrom one area to another in search of higher benefits, and a favourite theme of Mr Lilley's - is a national problem, necessitating a complex regime of inter-cantonal payments.

Whatever the value of the Swiss model, more remarkable is the fact thet a Tory radical should consider thet the confederation has much to teach Britain, the most centralised of Europe's larger states. "I have never been as bostile to local anthorities as perhaps an unrecon-structed Thatcherite ought to be," says Mr Lilley. "I want as little govermment as possible, whether central or local - and if the local is better, that's fine. I don't think the Whitehall record of controlling expenditure is so exemplary that we should not look at alternatives."

The emphasis is on new ways to restrain growth in the £83bn social security budget. In a giddy reversal of roles, devolution may become the Tory means to thet end.

Most local government leaders believe that social security should remain a central government

is not, and never has been, a purely national matter. Councils are significant welfare providers. In housing benefit they administer one of the principal social security payments. And they are responsible for community care, including financing residential care for elderly and disabled people. Standards of local welfare services vary widely across the country, as does education and health provision. The experience of administering

bousing benefit and community care leaves local councils unenthusiastic about taking on a wider welfare role. Community care, the only significant responsibility devolved to local government under Mrs Thatcher, has been a serious burden on local social services departments; they claim that the govern-ment has not provided sufficient funding since transferring responsi-

bility to local councils.

As for housing benefit, set to cost £10bo this year, the government announced last November that it plans to cap payments to tenants

with rents above their local authority average. Those affected will be reimbursed only 50 per cent of the rent above that average. To deal with cases of hardship, councils will be given limited funds for use at their discretion. So councils will have to deal with

the social consequences of a cost-cutting policy which, particularly in some inner city areas, could lead to significant suffering. In Mr Lilley's view, councils are well-placed to exercise such local discretion: it is part of their raison d'être.

Yet to many councillors, implementing policies to which they are opposed in principle, with little discretion to supplement national ben-efits through local taxation, is an abuse of local government.

Mr Lilley has yet to declare the next targets on his reform agenda. Again, his emphasis is likely to be on reducing the numbers entitled to benefit, rather than cutting the rate of benefit paid to each recipi-

Once again America beckons - "a society of self-selected, self-reliant people," Mr Lilley says. "In general, the problem with our system isn't that benefits are too generous, but that dependency is too widespread."

### **OBSERVER**

### All switched

John Whybrow won't be short of company when be arrives at Philip's headquarters in Eindhoven in April to take charge of the lighting division, which is the world's largest light bulb producer. For he is by no means the first Brit to march confidently on the electronics multinational's corporate bastion. Already in situ are fellow

countrymen Dudley Eustace, finance director, Kevin Kennedy, head of domestic appliances and personal care products; and Doug Dunn, chairman of the semi-conductor product division. That makes four Brits on the 14-member group management committee alongsida three Americans, a Swede and a Frenchman – and five Dutch. The UK seems to have become a

good place to get noticed. Whybrow. a graduate in mechanical engineering with an MBA from Manchester Business School, had been heading Philips UK, immediately succeeding Kennedy, when he got the call from the

Banker's rabbit Shareholders in Commerzbank. smallest of Frankfurt's 'big three' banks, are waiting to hear how

### generous it will be in its 125th

anniversary year.
Its larger rival, Deutsche Bank, also 125 years old this year, has promised a DM3 a share bonus payment on top of the dividend.

Dresdner Bank, the second biggest, is two years younger, so has time to reflect on how generous it feels the need to be. Commerzbank is unlikely to be as generous as Deutsche, but will certainly pay a celebratory bonus of some kind. perhaps DM1.50. Commerzhank has, however,

pulled one surprise rabbit from its hat - a Eurocard (the European payment card linked with Mastercard) account, paying interest at around money market rates. This gives the bank another first, following its energetic pioneering last year of the newly permitted money market funds.

These funds brought in new

customers, though competition has hotted up from others. Competitors are inevitably following with their own interest-bearing card accounts. But Commerzbank has again shown thet being smaller can also mean being nimbler.

#### Short story

■ United Biscuits is keen to play down the idea that it has picked ICI's Colin Short as its next chairman because he is a skilled corporate gunfighter. It only adds to the speculation that one of the City's favourite bid targets is

Short, a Welsh accountant who joined Gulf Oil in 1968 and spent the next 21 years in the oil industry, is equally reluctant to embellish this side of his career. However, he admits that one date is etched in his mind - September 14 1983. That was when he was appointed chief financial officer of Gulf Oil, one of the so-called seven sisters which

strengthening its defences.

dominated the world oil industry. His first task was to go to New York to find out who was buying Gulf's shares. Within 24 hours he had discovered that it was Boone Pickens, a Texas oil man who terrorised sleepy oil companies, and Gulf Oil was never the same again. Short and his colleagues fended off Pickens' unwelcome advances but were driven into the friendly arms

of Chevron. Boone Pickens and fellow corporate predators may be history. But their insistence on enhancing shareholder values has left an indelible mark on Short, which may just explain why he is a good choice

#### Beggar's opera

For sale, maybe, some concert halls in Paris. The Salle Pleyel is a strange enough beast, being a French construct named after an Austrian-born composer, But guess who its owner is, Why . . . Crédit Lyonnais, of course, thet commodious repository of sundry oddities not normally associated

with the business of banking. The state-owned bank's manifold financial woes seem to be a talking community. But for some reason it is the wind section of the Orchestre de Paris, whose home the Saile Pleyel is, that seems to be particularly insistent that the place is up for sale.

The bank dismisses this as so much hot air. But should a well-heeled buyer transpire for the 2,300 seat auditorium and the clutch of other halls, it would presumably change its tune.

#### Common currency ■ Michel Sapin, the former French finance minister who is now a

member of the Bank of France's

central council, breezed into London - and promptly found himself bowled over by a more potent monetary force. Madonna had taken over the room he had booked at the Lanesborough hotel. Having shepherded the franc during the 1992 foreign exchange turmoils, Sapin knows a thing or two about a crisis. He stayed cool. and made way for the American por star. He was even overcome by a bout of nostalgia for his spell as justice minister, when be could monitor her frequent visits to the Ritz from his desk. Readers will be rebeved to know his enthusiasm

stops abort of putting her name

single European currency.

forward as a possible handle for the

### Financial Times

#### 100 years ago Repudiation of bonds

New York: A despatch from Ironwood, Michigan, states that the Mayor and officials of that place have unanimously decided to repudiate the last issue of City bonds. These were offered to a firm which has since gone bankrupt. The bonds were, it is said, held in New York, Boston

#### 50 years ago

Speculators' profits in the US Washington: A proposal that a special tax be levied on wortime speculative profits from the resale of farms, homes and stocks was made by Mr Marriner S. Eccles, chairman of the Federal Reserve Board, in his testimony before the Senate Banking and Currency

Committee.
He said: "That is one door left open - the capital market. Nothing can keep cash, or future cash represented by Government bond holdings, in the hands of individuals from being spent to buy farms, homes and stocks when they cannot buy goods and

services." Any attempt at legislation for a special tax on war-time speculative profits will face stiff opposition in Congress.

### FINANCIAL TIMES

Wednesday February 22 1995



Bundesbank warns of inflationary pressure in economic boom

### Germany faces interest rate rise

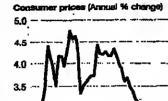
Germany faces the risk of higher interest rates as inflationary pressures grow and business con fidence rises to peaks not seen since the unification boom of 1991, the Bundesbank warns in a report published today.

In its latest economic review, the country's central bank says that it will act to counter the effects of any price increases. It notes that raw materials and import prices are rising in response to an accelerating worldwide economic recovery. while companies attempt to raise selling prices as demand grows. The alarms come at a time when the German central bank is within an ace of achieving its

The rate dropped from 2.7 per cent in December to 2.3 per cent in January and the consumer price index has been rising at a seasonally adjusted annual rate of 1% per cent for past six

goal of so-called "price stability"

an annual inflation rate of 2



**Western German Inflation** 

Bundesbank's monthly report for February, appears to end any hingering hopes of further cuts in Germany's discount and Lombard lending rates, held at 4.5 per cent and 6 per cent respectively since last May.

92

The report also includes a reminder to industry to avoid loading Itself with extra costs which could reduce competitiveness, especially in the light of the recent sharp revaluation of the D-Mark, which has continued The review, published in the since the report was completed in

At that time the D-Mark had appreciated by 4 per cent against other European currencies since the start of the year. The report said it was hard to explain the swing, although "political uncer-tainty" appeared to be the main

The authors of the report, with an eye on the impending indus-trial strife in the engineering industry, also warn of the need for moderate pay settlements. By helping to reduce unit deals of the past two years have played an important part in enabling German industry to sell goods in recovering markets at internationally competitive

prices, they say.

The stronger D-Mark is also playing a role. The Bundesbank's favoured raw materials price index was up more than 23 per cant year on year during January, although appreciation of the D-Mark against the US dollar means German industry is pay-ing a more modest 8.5 per cent extra, says the report.

Reviewing progress in the domestic economic recovery, the hank says investment has improved following a rise in for-eign demand, while private consumption is lagging.

Emhellishing its report last week in which it said west German economic output grew 3% per cent in the final quarter of last year, the bank notes husiness confidence is higher than the boom following unification with the former East Germany.

> Lira hits record low against D-Mark, Page 31

have to be a strong improvement

in foreign reserves, a narrowing

of the discount hetween the

financial and commercial rands

to below 10 per cent, and a reduc-

tion in the financial rand bank

balances held by foreigners.
Mr Chris Liebenberg, finance

minister, said yesterday that he remained unequivocally in

favour of getting rid of the finan-

cial rand as soon as possible.

the possible advantages," he said.

The disadvantages far exceed

But not all ministers are per-

suaded, and some international

bankers recently advised South

Africa to retain the present sys-tem for a longer period.

### THE LEX COLUMN Rand revolution

South Africa needs to dismantle its panoply of exchange controls if it is to integrate with the world economy. The abolition of the country's two-tier exchange rate - backed yesterday by the finance minister and central bank governor - would be a big step in this direction. But it also carries risks. If the financial rand is abolished, much of the hot money that has recently flowed into the country to take advantage of the arbitrage potential between the two exchange rates will flow out

Sooth Africa can withstand a short-term outflow of speculative capital. But given low foreign reserves and a growing current account deficit, its finances will be under pressure unless there is a matching inflow in the medium term. The hope is that abol-ishing the financial rand will have just that effect, since a big deterrent to foreign investors is the two-tier exchange rate. The sums involved could be large. Emerging market fund flows alone could amount to \$8hn if the South African stock market attracted investment proportionate to its capitalisation. Direct investment

might also receive a boost.

But the abolition of the financial rand alone will not be enough to attract capital inflows. Foreign inves-tors will need comfort that the politi-cal situation is stable - something hardly helped by Chief Mangosuthu Buthelezi's walk-out from parliament yesterday. Investors will also need assurance that the government is pursuing sound economic policies. Next month's budget will be a hig test.

US banking

Fleet Financial's acquisition of Shawmut represents another step in the inexorable consolidation of the US banking industry. The need for rationalisation is incontrovertible; the US, served by some \$7,000 branches, is, like most countries, over-banked. Expensive overlapping branch net-works are hard to justify in an age of information technology. Some rationalisation has already occurred: the mergers in 1991 between Bank of America and Security Pacific and between Chemical Banking and Mannfacturers Hanover Trust signalled the start. However, in recent months the pace of change has been restrained by most banks' low stock market valua-tions.

Yesterday's deal signals an acceleration in the trend. The impetus for furFT-SE Eurotrack 200: 1367.3 (-0.4) Acainst the dollar (R per S)

stuttering revenue growth, as the benefits of falling provisions begin to end. But more important is the new liberal legislative environment which allows the creation of super-regional and even nationwide banking organisations. Some states already allow inter-state banking, but from June 1997. banks from separate states will be able to merge throughout the US. By increasing scale and cutting duplicated costs. US banks should he able to improve their cost-income ratios

Fleet's series of acquisitions has created a super-regional bank, ranking it among the US top 10. A combination of greater pricing power and contin-ned cost-cutting should drive earnings growth. Fleet's progress should serve as a model for others to follow.

Unilever has had to run rather fast just to stand still. Its push to build up its ice cream and personal products divisions has been substantially rewarded. In addition, the group's heavy invastment outside the core markets of Europe and the US is already reaping good returns - the rest of the world accounted for 27 per cent of total sales in 1994. Despite these positive stories, profits before exceptional items grew by a rather pedestrian 4 per cent at a time of broad economic recovery.

Of course, the results were hit by Persil Power, Unilever did the right thing in washing its hands of the soap war, through a £57m write off. Now it has at least cleared the decks. Still, a fundamental error in Unilever's core ther rationalisation comes partly from skills of product innovation and brand

enhancement raises obvious concerns. Moreover, even taking out Persil, there was continuing weakness in Unilever's margarine and dairy products divisions, which resulted in the group's food manufacturing profits ris-ing by just one per cent. I Water high

At least the next two quarters should be easier for Unilever to impress the market, since they will compare with weak performances in 1994. Margin benefits should start to show through from 1993's £490m cost cutting provisions. And the success of its emerging markets business, where it achieves above average margins despite the high level of investment. gives it scope to impress. But it will take a pleasant surprise to push the shares beyond their nverage market

NatWest Group

National Westminster Bank is to be called NatWest Group. The change is to emphasise that the company is a portfolio of husinesses rather than just a UK clearing bank. That is all very well, but the problem remains that -to outsiders at least - the management's portfolio strategy appears at best unfocused, at worst misguided.

The rationale behind the strategy is to reduce the group's dependency on UK banking which it expects to suffer poor growth in a low-inflation environment. But for the moment it remains unclear whether NatWest can generate better returns on capital in other business areas.

NatWest's push into investment banking is at a price - the earnings stream is extremely volatile. Moreover, the group's grip on expenses looks casual. Group income dropped I per cent, while costs increased 5 per cent. Operating costs have ballooned 35 per cent since 1989, compared with an industry average of 10 per cent. The 69 per cent cost-income ratio is the sector's worst.

NatWest's shares are standing at a discount of around 40 per cent to the market on a price/earnings basis. The prospective yield is over 6 per cent. There is no disputing the shares are lowly rated, but that does not mean they are good value, Given the scale of its investment drive, NatWest now needs to demonstrate it can make a decent return. Until then, it is difficult to imagine a significant

See additional comments on Trafalgar House and GRE, Page 26

181.00

### Africa urged to drop financial rand

By Mark Suzman and

Pressure is mounting on the South African government to dismantle the country's controversial two-tier exchange rate after Mr Chris Stals, Reserve Bank governor, yesterday said eco-nomic conditions were right for

The decision to abolish the financial rand was now a matter of "political discretion", not of central bank rules, Mr Stals said. He was confident South Africa could easily cope with any short-term capital outflows arising from the change. "A year ago

it would have been foolish to

abolish the finrand," he said.

Unilever

write offs

Continued from Page 1

level of catalyst. It says the new

version, downgraded from flagship to niche product, is safe to use as directed. Analysts expect

it to "wither on the vine", how-

ever, because Unilever has with-

drawn advertising support. Mr Morris Tabaksblat, chair-

man of the Dutch arm of Uni-

lever, said in Rotterdam: "We

hate making a mistake, that's

something we find very annoy-

ing and something we ourselves

ducer of detergents, including

textile detergents, in Enrope.

This has put a small dent, really

minimal, in our position which

we think we can fully repair."

"We remain a leading pro-

take very seriously.

\$88m

not rules. I'm passing the buck. It is now a political decision."

The financial rand is a special currency designed to protect South Africa's foreign reserves by providing a restricted pool of rands for transactions by non-residents. It trades at a variable discount to the commercial rand.

The gap between the two cur-rencies, which has been as high as 50 per cent, is used as a mea-sure of international investor confidence in South Africa.

the currency for all conventional balance of payments transac-

Markets responded positively to yesterday's statements, with cial rand and the commercial rand narrowing from 7.9 per cent to 7.2 per cent.

However, within hours of Mr Stals comments, Chief Mango-suthn Bnthelezi, leader of the Inkatha Freedom party, led an IFP walkout from parliament, claiming the government had reneged on a promise made before last year's elections to submit Inkatha demands to international mediation.

He said 21 legislators would boycott parliament until a special IFP congress on March 5 and 6, to decide whether to quit permanently.

Mr Stals has repeatedly said that before the financial rand the difference between the finan- could be scrapped there would

### UK bond market reform aims to attract international funds

By Graham Bowley and Richard Lapper

market aimed at attracting more market's falling. France, Gerinternational investors are set to take effect in January.

The reforms, announced yesterday by Mr Kenneth Clarke, the chancellor, are intended to reduce the cost of government borrowing. The UK now pays half to more than one percentage point more than most other industrialised countries to ser-

vice its debt. The reforms will allow all participants in the gilts market to borrow and lend bonds.

This open sale and repurchase

enable people to finance positions in the market by selling gilts for cash and to go short - committhe liquidity and efficiency of Wide-ranging reforms of the UK ting to sell gilts they do not own, government bond - or gilts - normally in anticipation of the hence the government's deht

> many and the US already have well-developed repo markets. In addition, the reforms will allow institutions such as life assurance companies - but not individuals - holding gilts to receive interest payments before deduction of tax.

Tax is currently withheld at source. From January, it will be payable quarterly in arrears. The tax change is essential for an efficient repo market.

The introduction of an open repo market marks an important market - a repo market - will further step in the development

FT WEATHER GUIDE

Overseas investors own about 19 per cent of outstanding gilts. in the last five years competition among bond markets for overseas funds has intensified. The UK is felt to have lost out partly because it is less attractive than other European markets which have been quicker to modernise.

Mr Anthony Nelson, economic secretary to the Treasury, said the repo market "will secure our position in the first division of international sovereign hond markets and secure fine pricing



### United Republic of Tanzania

#### Commercial Debt Reduction Programme

The United Republic of Tanzania ("U.R.T.") expects to launch a debt reduction programme in the form of a commercial debt buy-back early in 1995. Funding for this programme will be sought from the International Development Association and certain donor countries.

The U.R.T. and its financial advisor, Lazard Fréres & Cie, are currently in the process of reconciling claims that may be eligible for tender in connection with this programme. In this regard, the U.R.T. invites persons claiming to be holders of Eligible Debt (as defined below), to contact the undersigned if they have not yet received a solicitation of claim information from the undersigned in respect of this operation.

For this purpose, "Eligible Debt" means claims (outstanding as of January 1, 1990 and in arrears on and after January 1, 1994) denominated in a currency other than the Tanzanian Shilling against the U.R.T. or agencies or instrumentalities of the U.R.T., whose original principal amount (in appregate for each creditor, exclusive of interest, late interest, fees and other amounts with respect thereto) exceeds US \$5,000 or its equivalent in other currencies, that arose out of or correspond to:

- borrowed money or the deferred payment of goods or services, or
- local currency payments to the National Bank of Commerce or the Bank of Tanzania pursuant to the Foreign Exchange Control Ordinance of 1982.

The following types of claims should not be reported in connection with this request:

- claims that are secured by any lien, pledge, or similar collateral security agreement.
- claims that are held or guaranteed by a foreign Export Credit Agency.

Bank of Tanzania External Debt Department 10 Mirambo Street P.O. Box 2939 Dar es Salaam Tanzania Tel. No. (255) (51) 37078 Fax. No. (255) (51) 46791/46060 Telex No. 41024

Lazard Frères & Cie Room 519 121 Bd Haussmann 75382 Paris Cedex 08 France

Tel. No. (33) (1) 4413-0763 Fax. No. (33) (1) 4563-3194 Telex No. 651666 LFC

February, 1995

#### **Europe today**

A front associated with a depression between Iceland and Norway will be accompanied by rain and some hail as it tracks across the UK and western Scandinavia, A disturbance will develop just south of Ireland and will move north. This will cause more rain and strong gales near the Channel and over parts of the North Sea. Southern France and northern Spain will be dry and sunny. Other sections of western Europe will be dry with sunny spells. North-west Africa, west Spain, the Alps and western Russia will have more rain as a result of another lingering frontal zone. Much of the anean will have e lot of sun.

#### Five-day forecast

Depressions over the north Atlantic will move into western Europe and will continue to bring rain and wind to the UK, Norway, the Benelux, France and northern Spain, Italy, the Balkans and wes Turkey will have a lot of rain later in the week. The rest of Europe will not see

significant changes.

No other airline flies to more cities around the world. Lufthansa

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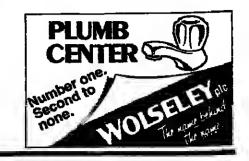
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### **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1995

Wednesday February 22 1995



#### IN BRIEF

#### Honda rides high on strong sales

Honda, the Japanese carmaker, almost doubled its third-quarter consolidated profits on the back of strong sales for Odyssey, a new recreational vehicle, and continued cost-cutting. Page 24

United Biscuits chooses chairman United Biscuits has chosen as its next chairman Mr Colin Short, a veteran defender from two classic bid. battles known for his rigorous financial and managerial skills. Page 28

Dominion hires ex-Kidder Peabody staff RBC Dominion Securities, Royal Bank of Canada's investment banking arm, has hired 25 former employees of Kidder Peabody, the defunct US brokerage firm. Page 25

Swedish bank bounces back with big rise Svenska Handelsbanken, one of Sweden's leading commercial banks, reported the second-best result in its history, just two years after the severe loan loss crisis threatened to cripple the country's bank ing system. Page 22

Mitsubishi Bank, one of Japan's largest financial institutions, is considering further measures to assist two troubled affiliate companies, Diamond. Mortgage and Diamond Factors. Page 24

Dell taps into record sales Dell Computer, the US personal computer manufacturer, reported record sales for its fourth fiscal quarter, boosted by strong sales of notebook computers and Pentium desktop PCs. Page 25

Strong commodities prices boost Gencor Gencor, the South African mining house, has reported a rise in attributable earnings, to R392m (\$110.8m) for the six months to December 31. Operating for the 1994 period was R422m as most of the group's companies benefited from improved prices in commodity markets. Page 24

Deere breaks records on incom Deere and Company, the US agricultural and comstruction equipment manufacturer, reported record first-quarter net income of \$138.4m or \$1.60 per share, up nearly 60 per cent from \$87m or \$1.20 per share last year. Page 25

Yorkshire Chemicals cheered by 10% rise Yorkshire Chemicals, the UK dyes and chemicals manufacturer, weathered price erosion and raw material cost inflation as it lifted pre-tax profits 10 per cent from £13m (\$20.15m) to £14.4m. Page 28

Overseas business raises Sedgwick 34% Strong growth in its European and North American retail operations and continued expansion in feebased businesses helped Sedgwick, the UK insurance broker, post a 34 per cent increase in 1994 pretax profits to £94.4m. (\$146.32) Page 28

**GRE lifts trading profits 62.8%** posted a 62.8 per cent increase in trading profits in 1994, helped by stronger-than-expected earnings from international operations. Page 28

Barry Riley is away

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Market Statistics

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# Fleet to buy Shawmut for \$3.4bn

By Richard Waters In New York

Fleet Financial, the US banking group based in Providence, Rhode Island, has announced a \$3.4hn all-share acquisition which would catapult it into the ranks of the country's 10 biggest commercial banks.

The planned takeover of Shaw-mut National, another New England bank, based in Hartford, Connecticut, would be one of the biggest regional banking acquisi-tions ever mounted to the US, creating an entity with assets of \$81bn. Fleet said it would move its headquarters to Boston after Fleet said it would have the

sixth higgest consumer banking business after the acquisition and the third largest portfolio of

New England group tempts Providence rival to create one of the 10 largest US banks, with assets of \$81bn

biggest mortgage banking com-The move follows a period of calm in takeovers among US banks, reflecting the weakness in bank stocks since the turn in US interest rates a year ago. Faced with lower valuations on their

of the takeover market. The deal also signals the strength of the recovery of the New England banking industry from a crisis in the early 1990s. Both Pleet and Shawmit wera

own shares, most acquisitiva

banks have preferred to stay out

loans to small husinesses. It brought low by a recession which cost the local economy 650,000 would also become the secondjobs - 10 per cent of the total and a subsequent collapse in the

Aithough New England's eco-nomic recovery began in 1992, along with that of the nation as a whole, the region has legged behind the rest of the US, regain-ing only some one third of the jobs it lost, according to Ms Katherine Bradbury, an econo-mist at the Federal Reserve Bank

That weakness raised expectations that strong local banks grow through acquisition elsewhere in the US rather than mount hig takeovers locally. However, by acquiring a bank with operations overlapping many of its own, Fleet said it would be able to cut about \$400m a year from annual costs, equive lent to some 40 per cent of Shaw mut's total non-interest costs. This will mean up to 3,000 job

bined banks' total, it added. Fleet's shares dropped \$2% dur ing the morning to \$31%, on fears that the deal would dilute its earnings. That put the value of

losses, or 10 per cent of the com-

last week. Shawmut's stock rose \$5 during morning trading. The lending practices of both banks have come under regulatory scrutiny in the past 18 months, with a Shawmut acquisition last year blocked over concerns about its compliance with the US Community Reinvestment Act. Neither is believed to be the subject of regulatory action at present. Fleet said it expected to sell some husinesses to comply

with competition concerns and to close some overlapping operations, leaving it with about 900 branches. The rationalisation process will lead to a restructur ing charge of up to \$400m. Lex. Page 20;

UK bank considers expansion of investment banking through takeovers in US or elsewhere



Laughing all the way to the bank: NatWest's Lord Alexander

### NatWest profits climb 61% as bad debts fall

By John Gapper, Banking Editor, in London

National Westminster Bank may expand its investment banking operations through acquisitions in the US or elsewhere, the UK bank said yesterday as It disclosed a 4.6 per cent rise in expenses, and flat operating

Its shares closed 10p lower at 483p as the market focused on the short term costs of its strategy of spending money on private and investment banking which it believes will increase long-term

NatWest announced a 61 per cent rise in pre-tax profits to £1.59bn (\$2.5bn) in the year to December 81, compared with £989m in 1993. This was largely and doubtful debt provisions from £1.26bn to £616m.

Lord Alexander, NatWest's chairman, also defended himself against criticism from Mr Gordoo Brown, Labour's shadow chancellor, about a one-year contract that will give him a performancerelated bonus of about £100,000 for 1994. The bank, which announced a

new corporate identity of Nat-West Group, declared a final dividend of 14.3p, making a 17 per cent increase to 21.60 in the total dividend. Earnings per share rose by 80 per cent to 63p from 35p. Equity returns broke a 17.5 per cent target to reach 18.7 per cent,

compared with 10.8 per cent last time. Lord Alexander said, "after some most difficult years, we are once again delivering a proper return to our shareholders". Mr Derek Wanless, chief execu-

tive, said that expansion in Nat-West Markets, its investment banking arm, was being achieved "by vigorous organic growth, which will be supplemented, if justifiable, by in-fill acquisi-Mr Wanless said directors had

considered acquisitions in mar-kets such as the US. "We cannot make sense of the numbers at this stage, but the more we build up, the greater the chance that something will emerge," he said.

Mr Martin Owen, chief executive of NatWest Markets, which reported a fall in pre-tax profits from 2455m to £355m, but avoided losses seen at other investment banks, said it would avoid acquir-

Year ended 31 December

ing too large an operation. Mr Owen said NatWest Mar kets already had "a good footprint" in the US, mainly in secondary capital markets. But it wanted to expand equity research and sales operations in some sectors, and might also consider US acquisitions.

Expenses rose from £4.58bn to £4.79bn, with the ratio of costs to income rising from 65.6 per cent to 69.2 per cent in spite of a net fall of 4,000 employees. It said the ratio should fall by the end of Costs were increased by a £30m

provision against having to pay compensation for mis-selling personal pensions. They were also inflated by a rise from £50m to £82m in the amount paid to staff under a profit-sharing scheme. Income fell marginally from 26.99bn to 26.94bn. Although net

interest income in its UK branch banking business fell by 3 per cent, it rose in the second half as fixed rate lending to small and medium-sized businesses grew. Pre-tax profits in US retail operations rose from £184m to

£239m, while those in international businesses grew from £172m to £403m. The latter included a fall in profits at Coutts & Co, its private bank, from £79m to £68m.

Assets weighted by risk were flat at £103.4hn, and its tier 1 ratio of core capital to risk weighted assets rose from 5.7 per cent to 6.4 per cent, with a 12 per cent rise in shareholders funds from £5.73bn to £6.42bn. Lex. Page 20

### **PolyGram** attacks **Chinese** piracy

Musical plracy in China came under attack yesterday from Mr Alain Levy, president and chief executive of PolyGram, the London based music and film group which is 75 per cent owned by Philips of the Nether-lands.

Describing piracy as "e serious problem" which had held the group back in the Far East, he arged Europe to follow the US in taking a tough line. "There is an organisation in Brussels called the European Commission. I'm waiting for a strong statement thet there is such a thing as Intellectual property and that they are going to do something to protect it." Mr Levy said. PolyGram said, however, that

good market conditions for the music husiness in North America and the UK bad produced a strong second half, helping the group to lift both profits and sales by 16 per cent last year. The group reported pre-tax

profits op from FI 927m to Fl 1.06bn (\$620m) for calendar 1994, while sales increased from Fl 7.4ho to Fl 8.6hn. Net income after taxes and minority interest grew from Fl 614m to Fl 738m. In spite of the push into films

and the success of the film, Four Weddings and a Funeral, which has grossed \$250m, the mnsic division remained the driving force of the group. Operating profits were Fl 1.1hn on total sales of Fl 7.6hm.

While overall group operating margins eased from 12.6 per cent

to 12.4 per cent, operating margins for the music side were maintained at 14.6 per cent -

close to a target 15 per cent.
Of the 29 PolyGram alhums
that notched up sales of more than Im copies last year, only five were items from the back catalogue. In the popular music, sector, which accounts for 68 per cent of music sales. Bon Jovi and Boyz Il Meo each sold 8m alhums. This year the groop expects new alhum releases by Elton John and Stevie Wonder to fuel further growth.

Classical music, accounting for 11 per cent of total sales, saw revenue rise by 3 per cent to F1944m. Three Tenors was the top seller, adding a further 1m units and taking total sales to 11m audio and video units. In spite of Four Weddings, the film division lost Fl 42m on sales

Earnings per share rose from F13.56 to F14.10. A dividend of F10.85 (F10.75) is proposed.

Increase %

1994 £m

#### fish in its home pond hen Sumitomo Bank much lower. Of the leading announced earlier this banks, only Mitsubish recorded a smaller increase in loans to month its intention to

Sanwa Bank a healthy

declare the first loss by a Japanese bank in modern times, the move was widely hailed as a revclution in Japan's ossified financial sector. The decision to write off a substantial chunk of its bad loans was seen as the most aggressive move yet by any bank in dealing with the country's continuing bad debt crists.
But at another of Japan's lead-

ing banks, the news was greeted sniffily. Officials at Sanwa Bank loftily pointed out that they at least would not be following suit. since their problem loans were already much lower.

Sanwa had a point. For while Sumitomo's move grabbed the limelight, it also drew investors' attention to the few banks with real strength - most prominent among them, Sanwa itself.

nous banking sector, Sanwa has always heen more individual. Osaka, a place renowned for a brasher approach to husiness than the slightly more civilised, old-school Tokyo. It also differs from most big banks in not being at the centre of a ketretsu, the industrial groupings that dominate Japan's economy

However, in common with all the country's banks it has seen its profits fall sharply in the last few years as it has moved gradu-ally to eliminate the bad debt

But in a country where problem loans are as numerous as cherry trees, Sanwa's relative asset quality is impressive. At September 30, Sanwa's disclosed problem loans were 2.4 per cent of total loans, the third lowest among the leading banks. If esti-mates for undisclosed loans are added, the bank rises to second in the league table. Sanwa has consistently recorded the highest net profits over the last five years and is forecast to do so

again this year.

The much stronger quality of Sanwa's assets is rooted in the bank's lending policies in the pre-bubble years. "Sanwa has always lent to the higher quality end of the market, so in the days of rapid expansion of property prices in the 1980s, it was not so drawn as other banks to lend to the risky property sector," according to Mr David Threadgold, banking analyst at Barclays de Zoete Wedd in Tokyo.

Sanwa was not immune to the attractions of booming sectors in the 1980s, but its exposure was where loan revenues are much ironbled affiliates, Page 25

property, construction and financial companies between 1985 and

Gerard Baker explains why local success is only relative

Sanwa's total exposure to the problem sectors of just 24.3 per cent of its total loans in March 1993 was second lowest of all leading banks.
It claims its success in keeping

down the level of problem loans lies in closer scrutiny of lending. "We have always placed a much higher emphasis on credit con-trol." says Mr Shinichi Taniguchi, deputy general manager of corporate planning. "That enabled us to detect much earlier

	Sanwa ( Barik	City banks everage
Problem loans as % of total	2.4	3.3
Problem sector loans as % of total	24.0	26.0
Average annual % growth in operating profits (1989-63)	25.9	14,4
Low cost deposits as % of total	29.7	24.3
BIS capital natio	8.9	9.7
Source: Salonem Brow		

the trends of too-rapid growth during the bubble economy, and we strengthened control further when we saw the dangers."

Ms Alicia Ogawa, banking analyst at Salomon brothers, argues that the bank's asset quality strength reflects its more focused approach. "Sanwa has never spread itself all over the banking map like the other big companies," she says. "That has helped it avoid the more dangerous

Aside from asset quality, Sanwa's principal strength is its core profitability. Mr Mark Faulkner, financial sector analyst at S.G. Warburg in Tokyo, estimates that on all leading indicators, Sanwa's profitability has heen higher than its main competitors. in the six months to September 1994, its gross business profit margin on domestic operations was 1.76 per cent, the highest among leading city banks.

Sanwa's selling, general and administrative costs are about 10 per cent of operating reveales, against an industry average of 13 per cent. But income from lending is also higher. The bank has the highest average loan rate of all banks, thanks largely to a smaller dependence than others

smaller. Only 18 per cent of the bank's loans are to larger customers, against an average of nearly 24 per cent.

Sanwa is also unique in setting

targets for return on equity and return on assets for each of the main departments. "The identification of strategies and targets for the main profits centre has been a unique Sanwa approach." according to Mr Taniguchi. "It enables us to understand better the detailed performance of the company."
These advantages probably

stem from what makes Sanwa different: the fact it does not belong to a keiretsu. That forces it to be more aggressive in seek ing out quality customers, rather than relying on the variable quality of related companies to a ket-etsu. But it also forces Sanwa to be more attentive to its shareholders, who are tied less by rea-sons of corporate loyalty than by a desire to make money. Sanwa also has a strong over-

seas presence. As demand for domestic lending remains flat in a weak economy and as bond issuance increasingly replaces lending, banks will depend more on foreign growth. Here Sanwa hopes its already much higher proportion of overall lending made overseas will give it a competitive advantage. But all these strengths are sim-

ply relative to Japan's banking sector. Sanwa's problem loans are still high by international standards, and its profitability low. And it faces another challenge at home which might weaken its competitiveness.

The principal risk lies in its affiliated financial institutions. Toyo Trust, a troubled trust bank of which Sanws is the largest shareholder, represents a substantial headache. It has one of the largest proportions of nonperforming loans of any bank in Japan, and shows little sign of improvement. If it deteriorates further, Sanwa could find itself saddled with an expensive bail-

That Sanwa is among the strongest of Japanese banks is not in doubt. It enjoys a profound advantage over its rivals in terms of asset quality, profitability, and share of the main growth markets. But it is not yet clear whether it can convert domestic pre-eminence into a genuinely powerful international role. Competing in an increasingly global market will prove a much tougher challen

Brokers • Advisers • Leaders

Sedgwick 1994: a year of progress

Revenue	931	15
Profit before tax	94	34
Earnings per share	11.0p	22
Dividend (proposed)	6.5p	8
Sedgwick: a global operator in	63 countries	
Year ended 31 December	1994 £m	<u>%</u>
Revenue — geographic analysis		
United States of America	393	42
United Kingdom	316	34
Rest of the world	222	24
	931	100
Revenue — business analysis		
Insurance and reinsurance	720	77
Employee benefits consulting	211	23
	931	100

Sedgwick is a leading international risk consultancy, insurance and reinsurance broking, employee benefits and financial services group.

It's not only about broking, it's about advice

### Svenska Handelsbanken soars to SKr4bn for year

By Christopher Brown-Humes in Stockholm

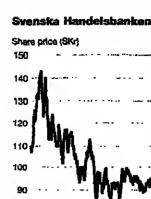
Svenska Handelsbanken, one of Sweden's leading commercial banks, yesterday reported the second best result in its history, just two years after the severe loan-loss crisis which threatened to cripple the country's banking system. Operating profits jumped

to SKr4.1hn (\$562m) for 1994, from a restated SKr724m in

The improvement stemmed from a SKr4hn reduction in credit losses, which helped to offset the impact on underlying business of narrower margins

Mr Arne Martensson, chief executive, said the outlook for 1995 was encouraging, with credit losses set to fall further and loan demand reviving.

Handelsbanken came through Sweden's financial crisis in better shape than its competitors, and it has been able to huild market share. both in Sweden and the other Nordic countries, from a posi-



The bank said there was no need for it to follow the example of its arch-rival Skandinaviska Enskilda Banken, which last week wrote down the value of its distressed property holdings by SKr4.3hn and plunged to a SKr701m operat-

We feel we have followed prudent rules when it comes to evaluating our property," said

Like SE Banken, Handelsbanken took over a large number of properties as collateral for failed loans during the country's banking crisis.

It has grouped real estate worth SKr6.9bn in a special unit called Näckebro, which it intends to sell. The bank's result before credit losses was down 8 per cent at SKr6.91hn from SKr7.52bn, partly hecause of

lower gains from securities

trading and a 5 per cent jump in costs. Net Interast income was 3 per cent higher at SKr9.27bn. Although the comparison is distorted by changed account-ing treatment, the bank said that Swedish krona lending volumes had recovered in the second half and at the end of the year stood 6 per cent higher than at the beginning.

Credit losses fell 59 per cent

to SKr4.76hn. The bank proposes to lift its

to SKr2.8bn, equal to 0.96 per

cent of total lending, while

problem loans fell 42 per cent

dividend by 50 per cent to SKr3

willing to sell a majority stake in the bank to Credit Soisse. The bank is the second large Hungarian bank to be privatised, following the sale of a 25 per cent stake in the Magyar Kulkereskedelmi Bank to Germany's Bayerische Landesbank last summer. Mr Bokros sald the two sides

Investor confidence in Hangary bas been shaken by the last-minnte cancellation by the cahinet last month of another large privatisation deal - the sale of Hungarbotels to a US investor - and the subsequent departures of the country's reformist privatisation chief

#### **Credit** Suisse close to Budapest Bank deal

By Virginia Marsh

Credit Snisse, the main banking arm of CS Holding, the Swiss floancial services group, is close to clinching a deal to acquire a majority stake in Budapest Bank, a leading state-owned Hnngar-ian commercial bank, Mr Lajos Bokros, Budapest Bank president, said yesterday.

The deal, which would he Credit Suisse's first foreign acquisition of a commercial bank, is expected to be the biggest investment in bank privatisation in the former Soviet hloc hy a western bank

It will also be the first western acquisition of a majority stake in a leading east Euro-

Mr Bokros, who is due to leave the bank at the end of the month to become Hungary's finance minister, said Credit Suisse was negotiating to huy a stake of about 63 per cent in Budapest Bank, one of the country's top four commercial banks. The Swiss company is expected to finish due diligence procedures next week.

Until now, it has not been clear whether the state was

still had to agree on the pur-chase price. Credit Snisse, which emerged as preferred bidder for the bank in December after an international tender, is expected to pay about \$100m for a majority stake, banking sources said. ING Bank and Allied Irish Banks also submitted blds for Budapest Bank.

# US banks send survival signal

Richard Waters on Fleet Financial's acquisition of Shawmut reflecting the continuing string

he banks with the best track record in the takeover market will be the survivors. That is one of the clearest messages from the biggest banking acquisition yet in New England, which will see Rbode Island-based Fleet Financial swallow up Shawmut National, a Connecticut neighbour, in a deal valued yesterday at \$3.4bn.

Just seven years ago, Fleet and Shawmut were relative minnows in the US banking pond, thair assets amounting to \$12bn and \$10bn respec-

Yet their young managements barboured big aspira-tions. Both doubled in size through mergers in 1988 -Fleet with Norstar and Shawmut with Hartford National and each has been bent on a path of absorbing small, locally-based rivals at a frenzied pace over the past two

That is where the two institutions' paths diverge. Although each hank was hit hard by the New England property collapse io 1990, the better-capitalised Fleet rebounded far quicker. As early as 1991 - thanks in

part to an injection of capital from the buy-out firm Kohlberg Kravis Roberts - Fleet was abla to profit from the shambles in the local banking industry by picking up the remains of Bank of New England, which had suc-

lanse. The following year, while still absorbing that bank's \$13bn of assets, Fleet found time for another saven acquisitions involving \$2.3bn in assets. Last year, it paid \$420m for NBB, owner of Massachusetts' largest savings

cumbed to the property col-

Under Mr Terry Murray, chairman since 1982 and still only 55, the takeover spree has won Fleet a considerable following on Wall Street.

Mr Murray's management team proved itself adept at wringing tha costs out of acquisitions. In deals involving banks in markets where Fleet was already represented, he set a target of cutting 60 per cent of non-interest costs - a figure that the bank says has usually heen achieved.

Fleet's ratio of costs to income remains higher than most regional banking rivals

of takeovers. But the stockmarket valuation accorded the bank reflects o confidence in its ability to keep making the acquisitions pay for thom-

A year ago, Mr Murray injected extra urgency into the process with an announcement that he planned to cut more than a quarter of the bank's 21,000 staff by the end of

Shawmut, meanwhile, has proved itself less effective in the race to consolidate among US regional banks, and looks to have paid the price.

Harder-hit than Fleet by the New England recession, Shawmut did not recover its profit-ability until the end of 1991. and was not able to return to the takeover market until 1993.

ts acquisitions since then have won fewer plaudits than those of Fleet. Though made at prices which were generally in line with other US bank takeovers at around 1.8 times book value - Shawmut has failed to act as aggressively in cutting

As a result, its own shares

have shunped more than other US banks in recent months. touching just 1.2 times book

Its most recent deal - the purchase of Bardays Business Credit, the asset-based lending unit of Barciays Bank, for a premium of shum over book value - failed to lift this

The higher-rated Fleet. whose shares have been trading on a multiple of closer to 1.4 times book value, has been seen as a possible buyer since

Both Mr Murray and Mr Joel Alvord, chairman of Shawmut, have talked of pulling off mergers with equals in recent months - transactions that would involve neither side paying a premium.

In the event, though, Fleet was forced to offer a premium of more than one third to persuade Mr Alvord and his management to code control.

At around 1.7 times book value at yesterday's morket price, though, the deal does not appear to involve Fleet paying over the odds - provided it can keep its cost-cutting machine

### Christiania Bank defiant over dividend despite record profits

oet profits.

Christiania Bank, Norway's second largest commercial hank, yesterday reported record profits for full-year 1994. However, the hank said it would oot meet the government's demand for a dividend

payout ratio of 50 per cent of

Christiania, in which the state holds 69 per cent, hoisted pre-tax profits last year to NKr1.47bn (\$227m) from NKr862m in 1993. It was belped by a sharp reduction in loan losses and a net reversal of NKr300m in previous loan loss

However, the bank said It would propose a dividend of NKr0.90 a sbare, representing about 34 per cent of net profits. after passing the payout for five consecutive years.

It added that the dividend

fact that the bank wanted to maintain its financial strength, at least at the same level as at the eod of 1993, said Mr Borger Lenth, managing director.

The dividend row between the government and the banks intensified last week when Den norske Bank, Norway's biggest bank, also defied state demands and proposed a divi-dend equivalent to 30 per cent of net profits.

This was sharply criticised by the state-backed Bank Investment Fund, which administers the state's bank shareholdings. The fund, which also adminlsters the state's holding in Christiania, maintained that

met the state's 50 per cent dividend demand. The row could end with the

Christiana could bave botb

strengtbened its finances and

dismissed if the state refuses to back down

Christlania's net interest income rose to NKr3.11hn from NKr3.06bn as other operating income - gains on shares, honds and foreign exchange fell to NKr1.54bn from NKr2.27bn. It said that 1993 had been an extraordinarily good year for securities and foreign exchange. Securities gains were cut to

NKr183m from NKr731m as foreign exchange gains dropped to NKr182m from NKr286. However, operating profit, before loan losses, plunged by NKr724m to NKr1.59bn.

Christlania's core capital ratio was 5.9 per cent of riskweighted assets, unchanged from 1993, but in the short term it aims to lift it to 6 per cent and in the longer term to between 7 and 8 per cent, the average for European banks.

### Study shows weakness in corporate accounts

By Norma Cohen, Investments Correspondent

international corporate accounts too often fail to ioclude information institu-tional shareholders want most. Details of whether objectives are being met, and information on the profitability of husiness segments are often missing. according to a study of the annual corporate accounts of 170 large international compa-

It found that fewer than half the 72 types of information considered essential by investors was included in annual reports, California-based Shelley Taylor Associates, a management consulting firm, interviewed 50 of the largest institutional investors in the UK and the US for the

study. Shelley Taylor, which has

been producing the survey annually since 1992, said Britisb and American companies tied for fourth place out of companies from eight countries in terms of the quality of information provided. Swedish. Canadian and French companies tell more.

The report noted that Spanish and Italian companies were slow or reluctant to send their reports and needed constant prodding, while obtaining annual reports from French and German companies was also difficult.

For US investors, segmental analysis by business line was considered very important by 92 per cent, while only 76 per cent of UK investors believed it to be very important.

Full Disclosure 1994, Shelley Taylor and Associates, Queens House, 1 Leicester Place, London WC2H TBP. £1,500.

### Daiwa Europe cuts staff 10% in shake-up

By Conner Middelmann In London

Daiwa Europe, the Londonbased subsidiary of Japanese broker Daiwa Securitles, has cut its staff uf some 440 employees hy about 10 per cent after a review and restructuring of its European operations.

The joh cuts, most of which have hit the London office, range across all parts of the company and do not signal a retrenchment in any particular area, Daiwa said.
"The restructuring is focused

on the development and enhancement of the core businesses, which are the fixed income and equity markets", Daiwa said.

In the fixed-income area, Dalwa plans to strengthen its In equities, it intends to pene-months.

trate further the new and emerging markets of Asia and eastern Europe. It also said it would change its reporting structure to facilitate a centralisation of the management of its product lines.

Japanese securities houses have come under pressure from continuing weakness in world markets. Trading volumes on the Japanese stock market have declined substantially in the last four years.

Nomura Securities, Japan's largest broker, recently announced an unprecedented group loss for the first 10 months of the current financial year. Its London subsidiary has shed some 50 jobs in the last six months, including 16 UK equity sales staff, traders and analysts. Yamalchi Internanon-yen denominated new tional has also shed about :00 of issue and secondary business. Its London staff in recent tional has also shed about 30 nf



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St.George A.C N. 055 513 070 U.S. \$75,000,000 Floating Rate Notes due 2000

Notice is hereby given that for the Interest Period 21st February, 1995 to 22nd May, 1995 the Noves will carry a Rate of Interest of 0.7% per annum. The Interest Amounts payable will be U.S. \$167.50 per U.S. \$10,000 Note and U.S. \$1,675.00 per U.S. \$100,000 Note. The Interest Payment Date will be 22nd May, 1995.

Bankers Trust Company, London

Agent Bank



Floating Rate Notes due 1996 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 17th May, 1995 has been fixed at 6.9369% per amum. The interest accruing for such three month period will be £169.580 per £100.000 Bearer Note, on 17th May, 1995 against presentation of Coupon No. E.

Union Bank of Switzerland London Branch Agent Bank 17th February, 1995

#### **FUND LIMITED** INTERIM RESULTS

THE KOREA-EUROPE

The Directors of The Korea-Europe Fund Limited announce the audited results for the six months ended 31 December 1994.

n	I DI DCCCIRCEI 1974 P	AL DECEMBER 1993
	US\$'000	US\$'000
Assets applicable to ordi	nary capital 309,164	301,272
Net asset value per share	\$8.80	\$7.02
	Six Mooths Ended	Six Months Ended
	31 December 1994	31 December 1993
	US\$'000	US\$'000
Investment Income:		
Dividends	91	107
Bond Interest	401	- 1
	492	107
Deposit interest	46	15
Total Revenue	538	122
Expenses and interest	1.703	1,034
Deficit before taxation	(1,165)	(912)
Taxation oo the reveoue	46	17
Deficit after taxation	(1,211)	(929)
Deficit per share	3.45 cents	3.24 cents

The Interim Report will be mailed to registered shareholders at their registered addresses on 6 March 1995. Copies of the Interim Report will be made available from 6 March 1995 at the offices of Schroder Investment Management Limited, 85 Queen Victoria Street, London,

Schroder Investment Management Limited IP Morgan John P. Bainbridge (0171 382 6742)

> GARTMORE PHOENIX FUND Announcement to the unitholders

The units will go ex-dividend on February 20, 1995 and the payment of the dividend will be carried out on February 24, 1995.



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At 31 December 1994 At 31 December 1993

The majority of dividend payments by Korean companies are mad in the first six months of the calendar year; as a result, the greater part of the Company's revenue will be received in the final six months of the current accounting period and there is a deficit of revenue after taxation for the six months ended 31 December 1994

Acting as Management Company of the GARTMORE PHOENIX FUND, the Board of Directors has decided on February 15, 1995 to pay a dividend of 15 cents per unit to all unitholders of the GARTMORE PHOENIX FUND. principal represent of 62,735.42 per 1971,970 Note persons to Chares (Sh) of the Notes on the interest payment date 28th Tebruary 1995. The principal amount mustanding on ht March 1995 will therefore be 697,216.58 per Note.

The Board of Directors SOVEREIGN (FOREX) LIMITED TOSHOKU FINANCE NETHERLANDS B.V.

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Securities No.1 PLC

120,000,000 Class Al Notes Multi-Class ortgage Backed Floath Rate Notes due 2030

US\$15,000,000

Floating Rate Notes 1997

Agent Sank

Interest Payment due 22nd August, 1995 oor US \$10,000 Note US \$365.30

22nd February, 1995 to 22nd August, 1995



Banco Quilmes S.A.

Drescher Bank Luxembourg S.A.

Banco Frances del Rio de la Plaza S.A.

Notice of Partial Redemption EUROPEAN COAL AND STEEL COMMUNITY

ECU 30,000,000 75% 86/92-96

Notice is hereby given that pursuant to paragraph "Redemption" of the Terms and Conditions of the Bonds the following Bonds in the principal amount of ECU 6.000,000 have been drawn by lot and are due for redemption at 100% plus accrued interests on 10th April, 1995: 1240 - 1336 1365 - 1367 2627 - 2630 2642 - 2678 2726 - 2743 2745 - 2765 2770 - 2814 2834 - 2850 8119-8176 6187-6201 6203-8218 6234-6310 6317-6323 6353-6374 6378-6393 6402-6423 6445-6570 6583-6631 6635-8638 6643-8630 6697-6736 5738-6807 6821 - S915 6920 - 6954 6965 - 6966 6973 - 6983 7006 - 7063 7018 - 7273 7280 7286 - 7230 7332 - 7335 7359 - 7355 7386 - 7387 7392 - 7415 2770 - 2814 2834 - 2860 2865 - 2904 2912 - 2923 2930 - 2933 2938 - 2988 4989 - 5006 5009 - 5018

Interest will cease on the same called for recompliant of all all and all Redemption Date.

Redemption Date made upon presentation and sutrender of the Bonds together with all appurtenant coupons maturing subsequent to the Redemption Date, at the office of the principal paying agent: Banque Nationale de Paris (Luxembourg) S.A. 24 Boulevard Royal, L. 2952 LUXEMBOURG

The principal amount of the Bonds remaining outstanding after 10th April 1995 will be ECU 6,000,000.

The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

Petroleum Argus Daily Oil Price Reports All the spot price information you require for Global Crude. Products markets" Petroleum Argus

Interest will cease on the Bonds called for redemption on and after the

WERIM PRO

#### HIGHLIGHTS

- Attributable income up 54%
- Significant first contribution from Billiton
- Interim dividend raised by 20% to 6 cents per share

Market capitalisation increased by 69%



### ACCURACE MENTIFOR THE SEX MONTHS ENDED 31 DECEMBER 1994

N Nov.	6 months to 31.12.94 (Unandited)		Increase %
R million			
Attributable income	392	254	54,3
Net assets (at valuation)	18 <b>790</b>	14 509	29,5
Market capitalisation	20 090	11 902	68,8
Cents per share			
Attributable income	28,5	18.5	54.1
Cash earnings	14.7	• 9,6	53.1
Dividends	6,0	5,0	20,0
US\$ million			
Attributable income	109	. 76	43.4
Net assets (at valuation)	4 967	3 470	43.1
	4 930	2 774	
Market capitalisation	4 930	2 //4	77,7

#### COMMENTS ON RESULTS

Summary of performance The period under review was characterised by the substantial maiden contribution from Billiton International as well as improved operating results from all the other group operations. Income earned from operations rose by 50 percent to R422 million, reflecting the long awaited improvement in the commodity markets experienced by group companies, as well as the return on the Billiton assets exceeding that previously earned on the assets realised for its acquisition. Comparative income from operations for the four months to 31. December 1993 included dividends and equity accounted retained income in respect of six months from most of the group operations. Net corporate expenditure increased slightly to R30 million, so that in aggregate, attributable income for the six months amounted to R392 million, 54 percent higher than the period to December 1993 and some 20 percent up on the performance of the six months to June 1994 (excluding the abnormal income in the form of one-off tax adjustments reported in that period). This corresponds to earnings of 28,5 cents per share of which cash earnings comprised 14,7 cents per share. An interim dividend of 6 cents per share has been declared.

Geneor's net asset value at valuation amounted to R18 790 million by the end of December 1994, an increase of 13 percent on the asset value on 30 June 1994. Gencor's shares traded on the JSE at 1 460 cents per share on 30 December 1994, representing a market capitalisation of R20 090 million. During the six months period to December 1994 the Gencor share price strengthened by 39 percent, outperforming the JSE all share index by 28 percent and the mining house index by 25 percent.

The most significant feature of the six months' results is the contribution made by the Billiton group in the first reporting period after its acquisition. Billiton, including Richards Bay Minerals, reported attributable income of US\$52 million for the six months to December 1994. Turnover of the Billiton group, including the group's marketing activities but excluding the turnover of associates RBM, Cerro Matosa, Sao Bento and Valesul, and the investment in MRN, amounted to US\$1 074 million. Of this nurnover, some 33 percent represents sales of commodines produced by group subsidiaries and joint ventures, with the balance reflecting third party trading, Profits from mineral and metal sales, after depreciation, before interest and taxation, amounted to US\$104 million. These derived mainly from the aluminium and alumina operations with important contributions from the copper and zinc operation in Canada and from the group's metal and mineral marketing and brokerage. No contribution is reported from the Aughinish refinery or Boké mine in Guinea as their acquisition is still subject to outstanding waivers of pre-emption, exercisable before the end of the financial year. Depreciation is calculated on the value of the fixed assets implied by the overall acquisition price and their estimated future economie lives. Associated companies, including RBM, contributed a net US\$20 million to earnings. (RBM achieved a further improvement in operating income for the six months to 31 December 1994.) The Billiton group's total debt, net of cash, on 31 December, excluding the convertible bonds, amounted to US\$470 million. Net financing charges for the period totalled US\$25 million. After allowing for a potential diluuon of 22,6 percent in Gencor's holding on the possible conversion of the bonds issued to Shell, income attributable to Gencor for the period amounted to R142 million. Additional information on Billiton's results is provided elsewhere in this announcement.

During the second half of the financial year Billiton will experience higher financing charges as the normal interest arrangements on the acquisition debt will apply over the full period. When the Billiton acquisition was announced it was indicated that the refinancing of the debt package was an important objective. The recent strength in the aluminium market and Billiton's satisfactory interim results have created the opportunity to refinance sooner than initially envisaged, and Gencor/Billiton has received an underwritten offer on terms significantly more favourable than the current financial package. This offer and other options are currently being evaluated.

£ 🛋 ...

Income before tax from Billiton's operations would have been US\$27 million higher if the group had not had in place at the effective date of acquisition forward sales positions that fell due in the six months under review. The influence of forward sales positions, which were in place on the effective date, will decline over the coming twelve months.

Sumancor achieved a further improvement in operating results for the six months ended 31 December 1994. Income before abnormal items amounted to R150 million, an increase of 35 percent compared to the corresponding period of the previous financial year. This was largely due to an improvement in sales volumes, a more beneficial exchange rate and most cost increases being held well below the inflation rate. Average sales prices achieved for the period under review were generally lower than the corresponding period of the previous financial year. After taking into account abnormal profits of R53,9 million in the previous financial year, attributable income decreased by 9 percent and Samancor's total contribution to Gencor's earnings decreased by 6 percent.

Gold output at Gengold declined by 2 634 kilograms to 31 449 kilograms compared to the corresponding six months period in 1993. The average grade recovered from underground ore declined marginally to 6.6 gram per ton while gold production costs increased by 16,7 percent to R32 815 per kilogram. These negative developments were offset by a 16 percent increase in the average gold price received of R44 289 per kilogram. As a result, Gengold's earnings for the six months under review were 10 percent up at R171,3 million. Six months fee income compared to the previous four months, combined with the change in accounting policy on recognition of dividend income implemented during the second half of the 1993/94 financial year, further boosted Gengold's total contribution to Gencor's earnings to R78 million, 56 percent up on the earnings reported for the period to December 1993.

A net increase in dollar revenues per ounce of platinum sold and a weaker rand/dollar exchange rate, offset partially by lower sales volumes, resulted in a 6 percent increase in Implats' turnover for the six months to December 1994. While the platinum and palladium markets remained steady, the nickel price surged upwards, but the rhodium market slipped by a further US\$100 per ounce. Attributable income for the period increased by 54 percent to R128 million compared to the six months to December 1993 as a result of successful cost containment, After allowing for capital expenditure on new capacity related to the completion of the metallurgical plant and 14 Shaft, which more than doubled during the review period, Implats' total contribution to Gencor's earnings at R52 million was 40 percent higher than the corresponding period in 1993.

The period under review saw the successful merger of the operations of Trans-Natal and Rand Coal, to form the logwe Coal Corporation with effect from 1 October 1994. Gencor retained its direct holding in Trans-Natal, although diluted to approximately 43 percent, with Trans-Natal obtaining a 51 percent controlling interest in Ingwe, giving Gencor an effective 22 percent holding in the new coal group. The first results of Ingwe were adversely affected by two derailments on the Richards Bay rail link during October 1994 which resulted in the postponement in shipments and consequently lower than anticipated export sales. Notwithstanding the effect of the derailments, sales tonnages increased by almost 14 percent compared to the six months to December 1993 and, together with an increase in sales prices achieved, resulted in an increase of 32 percent to R78 million in income before extraordinary items. The new coal group's total contribution to Gencor for the period, at R42 million, was 50 percent up on the eoal contribution for the period to December 1993.

The contribution from Alusaf doubled to R8 million compared to the corresponding period in 1993, reflecting the higher

aluminium price levels achieved during the current review period. Kelgran's interim results for the six months to August 1994 showed a 30 percent improvement in earnings, mainly the result of an increase in sales volumes. Kelgran has changed its year-end from February to June and its results for the ten months to June will therefore be accounted for in Gencor's results for the next six months.

The increase of 143 percent in Net income from investments is mainly the effect of the six months versus four months reporting period as well as a reduction in expenditure at the corporate level. Financing cost incurred doubled from that reported for the four months to December 1993. The increase reflects the longer accounting period as well as an increase in corporate Gencor's debt level during the period to fund its capital commitments. At the end of December 1994 sbares beld in Gencor's trading portfolio and available to be realised to offset the increased debt were valued at more than R700 million. Exploration and projects costs increased by some 23 percent based on a comparable reporting period.

On 29 November 1994, Gengold announced that current activities at Oryx mine will be concentrated on reef development to establish certainty on the size and grade of the ore body within acceptable confidence limits to proceed with the refinancing of the project. Gencor has agreed to provide the necessary funds at R12 million per month to achieve the required additional reef development by December 1995, Negotiations with the bankers of Oryx Gold Holdings on the rescheduling and refinancing of their loans to the project are continuing. Civen the project's uncertainty, adequate provisions exist or have been made to reduce Gencor's net exposure to Oryx to acceptable levels.

Gencor's balance sheet The Gencor balance sheet remains strong with total investments valued at more than R19 billion and only limited debt at the corporate level. The debt level increased somewhat during the review period as cash resources were depleted in funding the group's capital commitments. The realisation of investments beld in a trading portfolio as well as certain other non-core investment holdings should reduce the debt to lower levels by the end of the financial year. It remains Gencor's general policy of not providing guarantees in respect of the financial commitments of group operations. In accordance with this policy none of the loan funding raised on the acquisition of the Billiton assets is with any recourse to Gencor. (On a pro forma consolidation accounting basis total long term group debt on 31 December 1994 would amount to R2,9 billion in long term loans and a further R1,4 billion in respect of convertible debentures. Gencor's own commitments were bowever limited to R342 million.)

Major projects
The Hillside Smelter project at Alusaf is proceeding on schedule and first metal is expected to be produced by mid 1995 with full production to be achieved by June 1996. Total project expenditure is now forecast to be at least R1,2 hillion below budget. The project is expected to start contributing towards Alusaf and Gencor's earnings in the 1995/96 financial year,

The Columbus Stainless Steel Joint Venture is proceeding in accordance with budget and is currently some 90 percent complete. First metal from the new facilities is also expected in mid-1995.

#### Outlook

In our 1994 annual report we stated that we expect the 1995 income at the operating level to reflect a healthy improvement over 1994. This would be partially offset by the expected decline in income from investment as our investment portfolio is realised to fund our major projects, the earnings contribution of which will appear in the next year or two. If the current commodity prices are maintained for the balance of the financial year we should improve on the performance of the current six months in the second half of the financial year.

#### INTERIM DIVIDEND

An loterim dividend No. 138 (coupon No. 147) of 6 cents (1994 - 5 cents) per ordinary share has been declared, payable on 29 March 1995 to shareholders registered on 10 March 1995. The share register will be closed from 13 March to 24 March 1995.

In the case of non-resident holders of shares, tax of 15 percent will be deducted, where applicable.

The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 17 March 1995, or on the first day thereafter on which a rate of exchange is available.

On behalf of the board

M L Davis

Johannesburg 20 February 1995 GENCOR LIMITED

INCOME STATEMENT				INCOME FROM OPERATIONS				
R million	6 months to 31.12.94 (Unaudited)	4 months to 31.12.93 (Unaudited) (Note 1)	% Change	Ву Согарапу		onths .12.94 %		on ths 12.93 %
Dividend and net fee				Gengold	78	18	50	18
income	233	154	51,3	Implais	52	12	37	13
Equity accounted			0-10	Ingwe Coal	42	10	28	10
retained income	189	128	47,7	Samancor	80	19	85	30
retained income	103		77,7	Billiton International	142	34	0	0
Income from operations	422	282	49,6	Alusaf	8	2	4	1
Net income from				Other	_20	5	<b>7</b> 8	_28
investments	68	28	142,9		422	100	282	100
Financing costs	(24)	(12)	100.0		-			
•	(44)	(12)	100,0	By Commodity				
Exploration and	/EM	(99)	84,4	Gold	78	19	50	18
project costs	(59)	(32)	04,4	Platinum group metals	52	12	37	13
Income before taxation	407	266	53.0	Coal	42	10	28	10
Taxation	(15)	(12)	25.0	Chrome, manganese and				
				ferroalloys	80	19	85	30
Attributable income	392	254	54,3	Titanium mineral sands	59 52	14 12	60 4	21
				Aluminium related commodities Nickel	52 14	3	Õ	0
			•	Other	45	11	18	7
						_		<del></del>
•					422	100	282	100

INCOME STATEMENT FOR THE SIX MONTHS		BALANCE SHEET AS AT 31 DECEMBER 1994	US\$m
TO 31 DECEMBER 1994	US\$m	Capital employed	
urnover (excluding associates)	1 074	Sharebolders' interest	1 177
The second secon		Convertible bonds	300
perating income	122	Long term loans	397
epreciation	(18)	Deferred taxation	
rofit on mineral and metal sales	104		1 88
luminium and related commodities	63	Employment of capital	
ase and precious metals	41	Mining and other fixed assets	993
•		Investments	77
orporate costs and exploration	(24)	Net working capital	109
rofit from operations	80		1 881
et interest paid	(25)		
come before taxation	55	Carra Garage	
axation	(23)	Sales Statistics	
rolit after taxation	- 32	Alumina	
come from associates	20	Sales from Billiton production (k tons)	577
•	<u> </u>	Alumining	
huminium and related commodities	6	Sales from Billiton production (k tons)	107
ase and precious metals	14		20.
		Nickel	
ttributable income	52	Sales from Billiton share of production (m lbs)	11,

COME STATEMENT				INCOME FROM OPERATIONS					BALANCE SHEET		
	6 mouths to 31.12.94 (Unaudited)	4 months to 31.12.93 (Unaudited)	%		6 mo to 31. Rm			onths .12.93 %	R million	31.12.94 (Unaudited)	31.12.93 (Unaudited
nillion	(022200)		Change	By Company	_			~			
idend and net fee				Gengold	78	18	50	18	Capital employed		
	233	154	51,3	Implats	52	12	37	13	Shareholders' interest	7 573	7 026
ome	233	154	315	Ingwe Coal	42	10	28	10	Long term loans	342	173
uity accounted	100	100	45.5	Samancor	80	19	85	30	Deferred taxation	26	38
ained income	189	128	47,7	Billiton International	142	34	0	0		2041	~ 00-
ome from operations	422	282	49,6	Alusaf	8	2	4	1		7 941	7 237
income from	10.4	202	23,0	Other	<u> 20</u>	5	<b>7</b> 8	_28			
	68	28	140.0		422	100	282	100			
estments			142,9			_		_	Employment of capital		
ancing costs	(24)	(12)	100,0	By Commodity						7 865	£ 110
ploration and				Gold	70	10	50	18	Investments		6 410
ject costs	(59)	(32)	84,4	Platinum group metals	78 52	19 12	37	13	Valuation	[18 728]	[13 672]
	407	266	FB 0	Coal	42	10	28	10	Fixed and other non-current assets	302	237
ome before taxation			53,0	Chrome, manganese and					Net current assets/(liabilines)	(226)	590
cation	(15)	(12)	25,0	ferroalloys	80	19	85	30	Valuation	[128]	[811]
ributable income	392	254	54,3	Titanium mineral sands	59	14	60	21			
indiana income			32,3	Aluminium related commodities	52	12	4	1		7 941	7 237
				Nickel	14	.3	0	0			
				Other	45	<u>11</u>	18	<del>_7</del>			
					422	100	282	100	SHAREHOLDERS' INTEREST AT VA	LUATION	

	31.13	2.94	31.1	2.93
	Rm	**	Rm	°e
Gengold	2 301	12	3 216	99
Implais	2 870	16	1 750	12
Ingwe Coal	1 <b>363</b>	7	528	4
Samancor	4 863	26	2 495	17
Billiton International	3 008	16	0	0
Alusaf	1 913	10	888	6
Other	<u>742</u>	4	2 985	21
Operations	17 060	91	11862	82
Investments and Corporate	<u>1 730</u>	_9	2647	18
Net asset value	18 790	100	14 509	100

1. The comparative results for the four months to 31 December 1993 included dividends and equity accounted retained income in respect of the 6 months to 31 Desember 1993 from most of the group's operating companies.

- 2 Equity accounted retained income is accounted for after texation.
- 3. Comparative figures used for the period to 31 December 1993 in respect of "Other" in the breakdown (by Company) of Income from Operations and Shareholders' interest at valuation include the valuation of and the income earned in that reporting period from RBM and Son Bento as well as from those assets (mainly Trans-tilentic durre) realised to acquare Geneur's holding in Bulliton.
- 4. The allocation of Income from Operations by commodity is based on the income attributable to Geneor from each of the operations and, where applicable, essurers an appropriate allocation of interest, overheads and other costs.

The interim report will be mailed to shareholders. Copies may also be obtained from the London Secretaries: 30 Ely Place, London ECIN 6UA

### Strong Odyssey sales lift Honda

Honda, the Japanese carmaker, came close to doubling its third quarter consolidated profits on the back of strong sales for a new recreational vehicle launched in the domestic market and continued cost-

At the pre-tax level, profits for the three months to the end December soured to Y24.46bn (\$253m) from Y12.54bn a year earlier.
At the net level, earnings

rose to Y12.98bn from YS.76bn previously.

The strong quarter resulted in a rise in pre-tax profits for the nine-month period to Y81.1bn from Y35bn in 1993. The increase in the third quarter came in spite of a 4.6 per cent fall in revenues to Y904.7bn from Y947.9bn, which Honda attributed to the appre-

sales in the North American and European markets. In the three-month period, the company recorded lower

Higher tax

charge hits

**Ampolex** 

By Nikki Tatt in Sydney

Ampolex, the Australian oil

the six months to end-Decem-

ber, to A\$21.5m (US\$15.3m),

A\$32.2m, compared with

A\$25.4m previously, and a A\$4.12m abnormal charge after

Operating profits before tax

from A\$52.1m while revenue dipped to A\$295.6m, against A\$298.4m.

the eppreciation of the Austra-

However, tha results also

included a A\$11.2m unrealised

foreign exchange gain - com-

pared with a A\$3.9m surplus a

year earlier - and lower finance costs of A\$6.7m,

EURO MEDIUM TERM NOTES

SOCIETE GENERALE

ACCEPTANCE NV FRF 200,000,000 ONE YEAR DEM LIBOR LINKED NOTES DUE

AUGUST 16TH, 1995 ISIN CODE : XS0052324497

Notice is heraby givan to the Noteholders that

from August 16th, 1994 to August 16th, 1995, the intarest Rate has

been fixad at 3.9375 % P.A. with an interest Amount of FRF 3,937.50

per denomination of FRF 100,000.

Payment of the Interest

Amount and

Redemption of the Nominal will be mada on August 16th, 1995

in accordance with Condition 6 "Payment"

of the Terma and Conditions of the Notes

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emila Reuter LUXEMBOURG

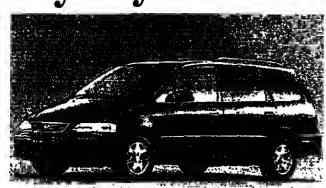
lian dollar.

als rose to A\$57.8m

no abnormals a year earlier.

from A\$26.7m s year earlier.

ciation of the yen and weaker



Driving force: Odyssey recreational vehicle sold well in Japan

unit sales in North America and Europe compared with the previous three months, in Accord, one of Honda's most popular models, had triggered strong demand

appears to have bottomed out, although Honda benefited from the launch of its new recreational vehicle, the Odyssey, which has sold more than twice as many units as initially

The vehicle is due to go on sale in the UK as the Honda Shuttle in June.

While Honda was helped by the recovery in the Japane market, its cost-cutting efforts also continued to make a sub-The Japanese market stantial contribution to the surge in profits.

Cost reductions led to savings of Y17bn at the operatmonths and Y53.5bn during the nine-month period. Honda is optimistic about

Mitsubishi Bank plans further aid core markets. It expects the Japanese market to continue its recovery and also forecasts growth in

By Gerard Baker

Japan's largest financial insti-

It is expected to record the

the current financial year,

which ends on March 3L. The bank says it has not

decided how much support to

provide to the two companies,

Mitsubisbi is expected to

them on to the Co-operative

Credit Purchasing Corporation

an agency set up and funded by the banking industry for the disposal of bad loans – at a

The difference between the two figures will appear as a

reduction in assets on the

The move is unlikely adversely to affect the compa-

ny's profits for the current

Mitsubishi to cover the loss by

realising a larger gain on its own holdings of equities than

previously planned.

Mitsubishi has been extend-

ing support to the two compa-

nies for several years. The Dia-

mond companies experienced

serious asset-quality problems

as a result of over-ambitious

property-related investments in the late 1980s. in the year

to March 1994, the bank wrote

off Y87bn. It charged a further

Y108bu in the six months to

Last October, Mitsubishi

added another troubled com-

pany to its list of subsidiaries

when it purchased a control-

ling stake in Nippon Trust

Bank, an institution with sub-

stantial problems also related

to the property sector. Mitsu-bishi recently announced the

move was likely to cost it

about Y200bn in the write-off

of non-performing loans this

In spite of the burdens of these related companies, Mit-

subishi is one of the stronger

Japanese banks, with one of

the smallest portfolios of non-

performing loans as a propor-

Most analysts believe that

the bank's actions are an Indi-

cation of its determination to

rid itself as quickly as possible

of its affiliates' bad loan prob-

**India's Premier** 

tion of total assets.

ncial year. Analysts expect

bank's balance sheet.

In Tokyo

pean markets. The company hopes to sell 902,000 units in North America. of which 830,000 are expected to be sold in the US.

the North American and Euro-

This represents an increase of 5.2 per cent in US sales, compared with Honda's prediction of 4.9 per cent growth in the overall US market.

Honda is also forecasting aggressive growth in the European market, where unit sales are targeted at 200,000 for the year, representing a 15.5 per cent increase over 1994.

Honda is forecastingthat the overall European market will Diamond Mortgage and Dia-mond Factors. However, newsgrow by 4 per cent. Renter adds from Tokyo:
 Honda said it believed group paper reports suggest the fig-ure could be as high as Y100bn net profits for the year ending (\$1bn). March 31 1995 will exceed the company's November forecast of Y60bn. buy non-performing loans from the two affiliates and sell

### Improved commodity prices help advance at Gencor

and gas producer, yesterday Gencor, the South African reported a fall in net profits for mining house, has reported a rise in attributable earnings to R392m (\$110.8m) for the six months to December 31. The decline was due to a sharply increased tax charge of

A year ago, it reported attributable earnings of R254m for 1993; included in that figure, however, were dividends and equity-accounted retained income for six months from most of the group's operating

Operating income for the

1994 period was R422m, compared with R282m for the earlier four-month period, as most fited from improved prices in commodity markets, especially erals company acquired last assets," he said

Ampolex said the results had been achieved in the face of a 10.9 per cent decline in the crude oil price received by the company - largely because of

against A\$13m. Exploration expenditure rose to A\$19.7m from A\$7.1m. The company said it planned a "renewed commitment" to exploration activity in 1995, and expected to drill at least 60 profits decline. exploration wells. These would include seven in Papua New Guinea, 13 in Argentina, 15 in the US, and 23 in Australia, consolidated recurring profits

those in base metals. Of total profits, chrome, manganese and ferro-alloys were responsible for 19 per cent, while gold production contributed 18 per

The rise in attributable income was also helped by R68m in income from invest-

Earnings amounted to 28.5 cents a share, of which 14.7 cents were cash earnings, and there was an interim dividend of 6 cents, up 20 per cent on the previous payout. The group's net asset value

grew to R18.79bn during the six months to the end of Overall results were boosted by the first-time inclusion of Billiton International, the min-

year from Royal Dutch Shell, which contributed R142m of total income. Taken as a separate com-

pany. Billiton's turnover. excluding associates Richards Bay Minerals, Cerro Matosa, São Bento and Valesul, amounted to \$1.07bn for the

period. Operating profits came to from aluminium and alumina, aithough copper and zinc pro-duced by the company's Cana-dian operations also performed

Mr Brian Gilbertson, Gencor executive chairman, said he was particularly pleased with Billiton's performance. "These results vindicate Gencor's deci-

### Kirin Brewery climbs 23.7%

By William Dawkins in Tokyo

A hot Japanese summer and thirsty customers helped Kirin Brewery, the country's largest beer producer, to turn the corner in 1994 after two years of

Kirin, the fourtb largest brewer in the world, yesterday reported a 23.7 per cent rise in mainly in the Carnavon Basin. - before tax and extraordinary

items - to Y107.67bn (\$1.1bn) in the year to December, exceeding most equity analysts' expectations. That compares with a Y87.06bn profit a year

Sales rose less sharply than profits, with turnover np 7.9 per cent to Y1,700bn, implying an improvement in margins. Net profits rose 21.6 per cent to Y52.22bn, or Y49.61 a share, up

Kirin attributed the improve-

ment to a 7 per cent increase in beer sales, which account for 97 per cent of its turnover. The company holds about half of the Japanese beer market with its own brands and Budweiser, the leading US imported beer which Kirin has marketed in Japan since September 1993. However, Kirin does not

expect to repeat the recovery this year, and forecast a fall in recurring profits to Y97bn, on sales up slightly at Y1,740bn.

By Michiyo Nakamoto

Matsushita, the Japanese

directly into your database.
INFORMATION: Binaiter Valsi
KR House, 78 Fiert Stoot, London BO4Y 1HY
Tel: +44 (I) 71 842 4063

NOTICES

In accordance with Rule 4, 106, L, John W Powell of Levy Goe, 4th Floor, Southfield House, II Liverpool Gardens, Worthing, West Sussex, BNII IRV, give notice that on 13 February 1995 Michael T Bowell and I were appointed John Liquidanss by sensition of the members. Notice is hereby given that the Joint Liquidanss of the above named company introd to make a first and final distribution to creditors. Credators are required, on or before the 13 March 1995 to send in their full Christian and stranges, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicidons (if any), to the underalganed John W Powell & Michael T Bowell of 4th Floor, Southfield House, II Liverpool Gardens, Warthing, West Sensex, BNII 1RV, the Joint Liquidanors, are, personally or by their Solicitors, to come m and prove their debts or claims at such them and place as shall be specified in such notice, or in default thereof they will be exciteded from the teachy of the stall dividend is intended to be declared used paid on 25th March 1995.

Dated: 15 February 1995 Signed John W Powell & Michael T Bowell John U Fowell & Michael T Bowell John U Fowell & Michael T Bowell John W Powell & Michael T Bowell John U Fowell & Michael T Bowell John U

BANCARIO SAN PAOLO DI TORINO

USD 150,000,000

Floating Rate Depositary Receipts due 1998

6.876% p. a. Interest Period February 21, 1995 August 21, 1995

Interest Amount due on August 21, 1995 per

BANQUE GÉNÉRALE DU LUXEMBOURG

# and fundamental information immediately at your forgeriped. By prevaling everything you need in one easy-touse source CRB InfoTech helps you perform analysis, backtening, modeling

analysis, backesting, isodeling, precessions and lon more, is years of historical prices por CASH, FUTURES, OPTIONS AND INDEX MARKETS. 50 YEARS OF FUNDAMENTAL INFORMATION

ON OVER KNOOMMODITIES ON OVER HOCOMMODITES.

Similar to the information found in the CRB
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download and import end-of-day prices
directly into your database.

LEGAL

In the Master of EDINBURGH BESKES LIMITED and in the Master of the Innotvency Act and Rules 1986

AND IN THE MAITHER OF THE INSOLVENCY ACT 1986 NOTICE IS HEREITY CIVEN pursuant to Table A.10s of the Intohemory Rules 1986 that on 15 February 1995 L. SURIF ISLUMAR SINIZA of Single & Company, 6-7 Queen Steel Conduct, ECA's 15th was appointed Usuadator of the above named company by the necession and complete.

out bookings are accepted subject to our current Terms and Conditions, copies of which are available by writing to The Advertisement Compliance Director, The Financial Times, One Southwark Bridgs, London SE! SHIL Tel: +44 171 873 3223

### Matsushita posts sharp rise for third quarter

consumer electronics group, yesterday reported a 93 per cent rise in consolidated pretax profits for the third quar-ter, helped by buoyant sales of information and communications equipment and costcutting measures.

Pre-tax profits rose to Y91bn (\$938m) from Y47.1bn in the three months to December. Sales were up 5 per cent to Y1,858.7bn from Y1,764.3bn previously. Net income nearly quadrupled to Y40.3bn from

The third-quarter results contributed to a 67 per cent rise in the group's pre-tax profits in the nine months to December, to Y175.5bn from Y105.2bn.

Lika many Japanese consumer electronics makers, Matsushita is seeing its chief profit areas shifting away from tradimation and communications equipment and electronic components.

Strong sales of information and communications equipment, such as cellular phones and personal facsimile machines, in Japan were a leading factor behind the group's improved performance. CD-Rom drives and hard disc drives were supported by buoyant growth in the personal computer market. Fsctory automation equipment also saw strong demand. As a result, the communication and industrial equipment division posted sales growth of 11 per

The strong semiconductor market lifted sales in the elec-tronic components division by 12 per cent, while soild battery sales helped the battery and kitchen-product division post 10 per cent sales growth Entertainment revenues

from the group's Hollywood tional products such as andio and video equipment to inforspite of the stronger yen.

back in profit india's Premier Automobiles made a net profit of Rs187m (36m) for the 18 months ended in September 1994, swinging from net losses reported for the previous two fiscal years,

**Automobiles** 

Shiraz Sidhva and agencies report from New Delhi. The company posted a net loss of Rs224m for the year to March 31 1994. It attributed the turnround to restructuring measures and voluntary retirement schemes, which have resulted in about 3,000 job

However, analysts said favourable terms for the sale of one of the company's plants to a joint venture between Premier and Peugeot of France also played an important role in the improvement. The company has not provided details of the disposal.

Sales during the 18 months to September reached Rs8.23bn, compared with Rs3.79bm for the previous 12 months. Operating profit was Rs1.67bn against Rs123.4m.

### Dangers lurk in freer short-term debt market

for affiliates Liberalisation of commercial paper issuance in Taiwan will force a shake-out, writes Laura Tyson

aiwan will pass a a mile-stone in the liberalisa-Mitsnbishi Bank, one of tion of its financial markets within the next week ther package of measures to assist two troubled affiliate when the ministry of finance grants a licence - the first in nearly 20 years - allowing a newly-formed bill finance company, Tachung, to issue and assistance as a write-off within deal in short-term debt instru-

As many as five more licences may be handed out by the end of the year, and more applications are expected in a campaign which will give a big push to the domestic market in commercial paper and bankers acceptances

Issuance and trading in comnercial paper and bankers' acceptances has shot up over the last two years, following the partial lifting of restrictions in 1992. New central bank figures show commercial paper issues outstanding jumped to T\$536bn (US\$20.3bn)in 1994 from T\$340bn in 1992, making Taiwan's market twice as large

Basically, disintermediation - by-passing the middle man - is an international trend which would have taken place much earlier if we had a more liberal environment," said Mr Eli Hong, executive vice-president of Taipei Business Bank, the biggest participant among the banks in terms of daily turn-

Soon we will see a whole lot of new players chasing the same business in what is already an over-banked market. These are all textbook developments, but for many players the experience will not be very pleasant."

The shake-out will help companies by giving them access to cheaper short-term funds, However, it is expected to squeeze profit margins in traditional corporate banking and send credit standards lower. Foreign and governmentowned banks are expected to suffer most as market share in important business areas is

The bill finance industry is competition in the corporate

Talwan short-term debt Commercial paper outstanding (TSbn) Source: Taken's Cantail Bank of China

now dominated by three companies - Chung Hsin, Chung Hua and International Bills Finance - founded in 1976. New entrants are expected to fuel growth in the short-term paper market and cut into the ending business of banks.

The ministry of finance first allowed banks to trade moneymarket bills in 1992, but the more incrative business of underwriting and endorsing short-term commercial paper has remained the province of the three finance companies. in reforms to take effect in August, banks will be allowed to underwrite and endorse bills as well.

Trading volume in comme cial paper rose to T\$24,99bn last year from T\$17,820bn in 1993. Bankers' acceptances outstanding climbed to T\$192bn from T\$55.4bn in 1992, according to the central bank.

The arrival of 16 privatesector banks in 1992, following a three-decade ban on new licences, injected new life into a state-dominated banking system fettered by heavy-handed regulations, anachronistic lending practices and poor service. The aggressive new banks have grabbed market share from the old banks, which are run as part of the government bureaucracy, and are keen to enter the bills business.

A shift from loans to short-term marketable securities will affect the structure of the banks' balance sheets, and require more sopbisticated financial management than Taiwanese banks are used to. The anticipated surge in

banking market is likely to force many banks to devote more resources and manpower to consumer banking, until quite recently a severely neglected market. Given the general dearth of quality retail banking services, especially among the government banks, there is room for development in this market, particularly in consumer finance, a senior foreign banker said.

owever, increased competition bas its dangers as well, particularly in a market such as established credit information or rating system, and where financial disclosure requirements are minimal and accounting standards are lax. Such deficiencies, bankers say, will hamper development of consumer finance, which the ministry of finance is trying to encourage to belp soak up underground lending.

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To Avenue

Banks and bill finance companies will be forced downmarket in search of business. resulting in a rise in credit risk. Some bankers fear credit standards may be relaxed to attract business. The volume of business will grow, but profit margins will shrink.

This could deal a blow to the banking industry, already suffering from a slump in the property market, Liberalisation of the bill finance market coincides with tighter standards, set to take effect next month, for the calculation of bad dehts. Much higher bad loan ratios are expected as a

### TNT ahead at interim stage

profits should be in line with

targets set in mid-1993, and

that it hoped it could resume

abnormals, rose to A\$183.7m

TNT said there had been

strong contributions from most

from TNT Canada (although

this was dented in Australian

paying a dividend soon.

TNT, the Sydney-based transportation group, yesterday reported a profit after tax but before abnormal items of A\$\$4m (US\$38.6m) in the six months to the end of December, compared with A\$25.5m a

from A\$173m, on revenues up Earnings growth was helped by strong performances from TNT's UK and German to A\$3.06bn from A\$2.85bn. operations, an improvement in the core Australian business of its Australian businesses: and lower interest charges. Abnormal items resulted in a

A\$19.1m surplus, compared with a AS3.2m charge a year ago, leaving bottom-line profits at A\$73m, against A\$22.3m last time. Earnings per share on a fully-diluted basis were 9.3 cents, against 3.5 cents.

The company said full-year

German business. The troubled Spanish operations saw reduced losses, and the French unit became profitable during the half-year.

dollar terms by the currency's recent strength); from the UK; and from certain parts of the

post offices, also moved into the black during the last quar-The share price responded by adding 5 cents to close at ter, with the result that TNT's share of losses for the half-year Operating profit, before fell to A\$9.75m from A\$24.6m.
Interest, tax, depreciation and TNT's 50 per cent interest in TNT's 50 per cent interest in was less rewarding, with disruptions at Sydney airport and costs and difficulties stemming from the start-up of Asian services blamed for a fall in profits. Overall, the contribution of

GD Express Worldwide, the

express delivery joint venture

with a number of international

Australasian aviation interests to operating profits fell to A\$33.6m from A\$43.8m.

interest charges slipped to A\$32.1m from A\$41.3m, with the ratio of net debt to shareholders equity remaining stable at 0.93, compared with 0.92.

### Bahrain bank in Indian venture

By Shiraz Skihva in Bombay

TAIB Bank, the Bahrain-based global investment and merchant bank, has collaborated with nine large Indian corporations to set up a joint venture to be based in Bangalore. The new venture, TAIB Capi-

tal Corporation, will have initial paid-up capital of Rs50m (\$1.6m), and will start operations in June. TAIB Bank, which recorded

a profit of \$3.58m last year, is the first Gulf institutional investor to be recognised by

India's Sacurities and Exchange Board, the govern-ment's stock market watchdog. The bank will hold 51 per cent of the equity in the ven-ture, with the balance being equally shared by its nine Indian partners.

The partners include: Essar, a Madras-based industrial group with interests in shipping, steel, oil and gas, offshore construction and drilling, power and finance; Kotak Mahindra Finance, a division of Mahindra and Mahindra, the auto, tractor and heavy engi-

neering group; Usha Martin, the Calcutta-based steel group; the Murugappa group; Baroda Rayon Corporation; Western Alloy; South Indian Bank; and ITC, the Calcutta-based tobacco, paper and hotels con-

ITC's plans to set up a joint venture with Peregrine Capital, the Asian Investment group, fell through last year. Peregrine has since entered the Indian market through a joint venture with five other Indian

### Investors learn to dance the Salim Group shuffle

The Indonesian group's Bogasari business is again being

sset shuffles at Salim Group, one of Indonesia's largest and most powerful conglomerates, are not popular among investors in the group's listed companies, which rank among the largest on the Jak-

arta Stock Exchange. Yet Salim officials have confirmed that the group plans to sell Indo-cement Tunggal Prakasa's 100 per cent equity in Bogasari, a flour-miliing operation, to Indofnod Sukses Makmur, a Salim Group company which was listed in July last year. After the transfer, Indocement will still indirectly own Bogasari through its 51 per cent stake in Indofood. It will be the second time that Boga-

sari finds itself transferred between balance sheets of Salim Group companies. In 1992, when Bogasari was injected, for about \$400m, in to indocement the transfer also involved selling a 51 per cent shareholding of Indofood and a 21-storey building in central Jakarta to Indocement.

shifted between balance sheets, writes Manuela Saragosa were overvalued, leaving minority

shareholders feeling cheated.
This time, the asset shuffling is between two listed companies of the Salim Group, and officials at both assure investors that the interests of shareholders will be their top priority. "In this case, at the very least if it's detrimental to one of the companies, it will be beneficial to the other," says one Jakarta-based foreign broker. While the transfer is certain to ben-

pure cement play on the stock mar-ket, the benefits for Indofood are less clearly defined: It will help indocement, which is a highly-geared company, relieve its debt burden. Bogasari, which with an 85 per cent share of Indonesia's flour market has a virtual monopoly on The moves were not welcomed, as investors complained that the assets (\$188m) in debt - injecting its assets

efit Indocement, which will become a

into Indofood would remove a unit both Indocement and Indofood, says from Indocement's balance sheets that has always had lower margins

than the cement business.

The transfer will also allow Indocement to focus on its core cament business. Cash from the sale of Bogasari will help finance Indocement's plans to expand annual production to 145m tonnes a year by 1997 from the cur-

etails of the transaction have not been worked out, but debt financing and a rights issue at Indofood are under consideration. An independent team will value Bogasari, which could be worth as much as \$700m.

Transferring a food division from a coment producer to a food manufac-turer might appear a logical step. Mr Sudwikatmono, president director of sudwikatmono, sudwi

the acquisition will "enhance Indo-food's standing as the largest inte-grated food manufacturer in tha region".

The acquisition will link Indofood

with its main raw material supplier for its noodle business, but Bogasart's operations and Indofood are linked anyway because they are controlled by the same parent company. "There is no hint that simply by owning the company Indofood will benefit either in terms of access or pricing," says Mr James Spence, head of research at W. I. Carr in Jakarta.

Neither is Bogasari likely to benefit in terms of access to Indofood's marketing skills. Flour is a highly-regulated commodity in Indonesia -imports are banned and the govern-

branding means nothing in indon-esia", says Mr Spence. Indofood is a cash-rich company, with estimated reserves of about Rp1,000bn, and is ready to make new investments. Salim Group officials say Bogasari will remain a separate entity within Indofood and that the transfer will smooth out the financial

structure of the unit and prepare it for an eventual separate listing. However, there is suspicion that Indofood's money is being used simply to help the parent company cash in on its maturing businesses. The Indonesian government may well give in to pressure to deregulate food imports and this could hurt Bogasari. Analysts also note that when the Salim Group decided last year to sell part of its 100 per cent holding of indofood in an IPO, the money raised

went straight to the parent. In the end, the rationality of the transfer will depend on the price of

#### INTERNATIONAL COMPANIES AND FINANCE

#### **NEWS DIGEST**

#### **Bombay SE raps Reliance Industries** over rule breach

The governing body of the Bombay Stock Exchange has decided to suspend trading in the shares of Reliance Industries, India's biggest private-sector company, for a day, for violating the exchange's rules, writes Shiraz Sidhva in New Delhi.

The date of suspension has yet to be announced.

An exchange official said yesterday thet Reliance had violated Clause 19 of the exchange's listing agreement, which stipulates that companies should recommend a dividend for a financial year at least five days before the closure of its register of members.

Reliance has also been criticised for not giving the exchange adequate notice before announcing the merger of two of its subsid-iaries, Reliance Polypropylene and Reliance

Polyethylene.
"We respect the decision of the Bombay
"Delience said yesterday. Stock Exchange, Reliance said yesterday.

The Bombay Stock Exchange, India'a oldest and largest bourse, has been tightening its regulations since e securities scandal in 1992. The bourse is now more accountable to the Securities and Exchange Board, the govern-ment's watchdog body, which has recently been given more regulatory powers by the finance ministry to ensure that another scan-

#### GMK in the red after asset write-down



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Gold Mines of Kalgoorlie, which is 30.45 per cent-owned by Mr Robert Champion de Crespigny's Poseidon Gold, yesterday unveiled a A\$300.8m (US\$221.41m) loss after tax and abnormals – the damage being done by the large asset write-down which the company foreshadowed at the end of January, writes nationi : Nikki Tait in Sydney.

Ahead of abnormals but also after tax, GMK made a profit of A\$20.Lm, a 49 per cent increase on the same

The company said that gold sales increased by 7 per cent, to 231,503 ounces, although there was a lower net realised gold price of A\$564 an

The total abnormal item was a A\$320.4m charge, with the downward revaluation of the carrying value of certain mining assets accounting for the bulk of this - some A\$315m.

The write-downs followed the decision by the Normandy Poseidon group and its various attached units to adopt more conservative accounting policies.

GMK's largest assets are a 50 per cent interest in the Kalgoorlie "Super Pit," and the Jubilee mine, also at Kalgoorlie in Western.

#### Skanska buys Czech and German companies

Skanska, Scandinavia's largest construction and real estate group, is bolstering its position in central Europe by acquiring companies in Germany and the Czech Republic, writes Christopher Brown-Humes in Stockholm.

The main purchase is Voigt, a Berlin-based group with 300 employees and DM50m (\$33.94m) in annual sales.

Skanska is also buying 50 per cent of Hakastay, e Prague-based construction management and consulting firm with sales of SKr20m (\$2.74m). Terms in both cases were undis-

The acquisitions enhance Skanska's drive to build up its international operations to com-pensate for the slump in the Swedish building

Mr Jan Sjöstedt, president of Skanska Inter-national Building, said "both companies fit into our aggressive strategy in Europe and should be regarded as important investments Skanska has also recently bought companies

#### Dylex offers creditors mix of cash and shares

Dylex, Canada'a biggest speciality retailer, is asking creditors to accept 60 cents on the dollar and 40 cents in new common shares, writes Robert Gibbens in Montreal. Dylex is under court protection from credi-

tors while it restructures C\$238m (US\$170m) of debt. The vote on the proposal is expected on March 29 in Toronto.

Dylex proposes to create 27m new voting common shares to replace its present three-tier share structure. Trade creditors and debenture holders would become majority stockholders

in the company.

Unsecured creditors would get 60 cents in cash by December 31, 1995, and 40 cents in new common shares, on the basis of one new share for each C\$12.50 of total claim. Landlords would get six months' gross rent in cash and

Payments on existing bank term debt would be deferred until 1996. Dylex's C\$112.5m of subordinated debentures would be converted

to equity.

Dylex has closed nearly 200 of its 877 stores across Canada and has eliminated 2,400 full and part-time jobs as part of the restruct-

#### SCA ready to seal deal on PWA purchase

SCA, the Swedish forestry group, is tomorrow due to finalise its DM1.2bn (\$214m) purchase of a 60 per cent stake in PWA, Germany's largest pulp and paper company, after the deal was cleared by the European Commission yester-day, writes Christopher Brown-Humes in

The purchase will create Europe's largest pulp and paper company with combined annual turnover of SKr56bn (\$7.67bn) and production capacity of 7m tonnes.

The move, at a time of a strong recovery in

the pulp and paper sector, is designed to con-solidate the Swedish group's activities in pack-aging and tissues while expanding its operations into two new sectors, graphic and speciality decorative papers.

#### Ansaldo Trasporti advances to L28.8bn

Ansaldo Trasporti, the Italian manufacturer of rall transport systems, increased net profit to L28.8bn (\$18m) in calendar year 1994, before minority interests, and cut net debt to L111bn, writes Andrew Hill in Milan.

In 1993, excluding extraordinary gains, Ansaldo Trasporti recorded a net profit of L27.2bn (\$17m) before minority interests, and had not debt of L166bn at the year-end.

Just over 50 per cent of Ansaldo Trasporti is controlled by Ansaldo, part of the state-controlled Finmeccanica engineering group, but the balance is quoted in Milan. The Ansaldo Trasporti board is recommending an unchanged dividend of L152 a share.

The value of pending orders for the group increased by 20 per cent in 1994 to L4,242bn, compared with L3,528bn in 1993, and orders received during the year nearly trebled to L1,545bn, against L549bn.

#### **Kaufhof sells 50%** stake in Kuoni

The Knoni-Hugentobler Foundation and a Swiss banking group have bought the 50.1 per cent stake in Kuoni, the Swiss travel group, held by Kaufhof of Germany since 1992, writes Ian Rodger in Zurich.

The move appears to be the prelude to a long-delayed simplification of Knom's capital structure and improvement in the liquidity of its shares. Kuoni, which last week announced a new management structure, said it would provide further information on the purchase

The Kuoni-Hugentobler Foundation bolds all 10,000 issued SFr100 nominal registered shares in Kuoni, giving it 52.6 per cent of the votes. Kaufhof held 5,011 of the 9,000 SFr1,000 nomi-

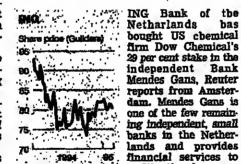
nal bearer shares.

The rest of the bearer shares, and 120,000 SFr50 nominal participation certificates, are widely held.

Kaufhof acquired its Kuoni stake after Swissair sold its 35.8 per cent bolding in May

The Kuoni-Hugentobler Foundation then indicated it was displeased that Swissair bad not offered it first refusal.

#### **ING** buys Dow's stake in Bank Mendes Gans



bought US chemical firm Dow Chemical's 29 per cent stake in the independent Bank Mendes Gans, Reuter dam. Mendes Gans is one of the few remaining independent, small banks in the Netherlands and provides reports from Amster-50000 Deletered financial services to multinational companies and institutional

central bank approval.

ING Bank said acquiring the stake would substantially strengthen its position in the upper segment of the payments traffic market. No financial details of the transaction have

investors. The sale is conditional on Dutch

heen published.

Mendes Gans has 22,000 outstanding shares which were quoted at F17,950 each on the Amsterdam Stock Exchange on Tuesday morning with a traded volume of 14 shares. Only a small portion of the bank's shares are actively traded on the exchange.

Mendes Gans posted 1993 net profits of

F19.7m (\$5.87m) up from 1992's F18.8m. Its balance sheet total was Fl 690.5m by the end of

The company said in August its 1994 first-half net profit was slightly higher than in the year before and added it also expected the full-year net to show a slight increase. Mendes Gens has not given any further 1994 figures to

#### Interpublic earnings held back by charges

By Richard Tomkins in New York

Interpublic, the US advertising group, yesterday reported a fall in net income to \$30.8m from \$50.8m for the fourth quarter because of a restructuring charge resulting from the cost of consolidating acqui-

The company said net income would have risen 12 per cent to \$56.4m, but profits were hit by a \$25.7m after-tax charge caused mainly by the cost of assimilating the Ammirati & Puris agency acquired last summer. Costs arose, for example, in climinating functions that were duplicated and divesting conflicting accounts.

Gross income rose 54 per cent to \$251.4m in the US and 8 per cent to \$373.9m outside the US, producing an overall increase of 23 per cent to \$625.3m. Earnings per share were 74 cents before the restructuring charge and 40 cents after it, compared with 67 cents last time.

For the full year, net income fell 8 per cent to \$115.2m, including the effects of the restructuring charge but excluding the effects of accounting changes. Interpub-be said the figure would have risen by 12.5 per cent exclu-

ding all the charges.

Mr Eugene Beard, chief financial officer, aald Interpublic had net new business of \$693m in 1994.

#### Deere posts record income in first quarter

By Laurie Morse in Chicago

Deere and Company, the US agricultural and construction equipment manufacturer, reported record first-quarter net income of \$138.4m, or \$1.60 a share, up nearly 60 per cent from \$87m, or \$1.20, e year

Revenues for the quarter, which ended January 31, jumped 22 per cent to \$2.1bn from \$1.7bn. During the quarter, US equipment sales to dealers were up 18 per cent at \$1.3bn, while overseas equipment sales increased 41 per cent to \$405m. Deere's financial services arm reported

\$347m in revenues.

The company said its world-wide production tonnage rose 11 per cent from the first quarter of 1994 and, given the moderate growth outlook for the North American economy, its full-year 1995 worldwide production tonnage is expected to increase by 4 per cent. Mr Hans Becberer, chair-man, said he expected world-

wide demand for agricultural equipment to remain strong.
"Near-record US net farm

casb income in 1994 should anpport strong 1995 farm expenditures. Higher exports of farm commodities should continue to result from ratification of the General Agree-ment on Tariffs and Trade," he said.

#### TBS advances in last period

Turner Broadcasting System, the broadcasting and enter-tainment group, reported a sharp increase in earnings for its fourth quarter.

Net profits jumped to \$26.5m, or 9 cents e share, from \$9.5m, or 4 cents, a year ago. Revenues increased to \$825.3m from \$535m. Turner said the fourth-quarter result includes a \$5m charge for renegotiation of certain bank credit facilities.

Results also included the results of New Line Cinema, acquired in January 1994, and Castle Rock Entertainment, bought in December 1993.

### RBC securities business hires former Kidder staff

By Bernard Simon in Toronto

RBC Dominion Securities, Royal Bank of Canada's invest-ment banking arm, has hired 25 former employees of Kidder Peabody, the defunct US brokerage firm, to help expand its international equity derivatives business.

The Canadian firm plans to set up operations in New York, London and Tokyo over the next two years as part of a drive to transform its existing equity derivatives service, based on Canadian market

indices and baskets of Canadian securities, into an interna-

tional package.
The team bired by Dominion was not included in the Kidder Peabody businesses which were taken over last autumn by PaineWebber, the US financial services group.

The group, which includes

Mr Peter Klein, who was managing director of Kidder'a derivatives business. Mr Bill Moriarty, a Dominion director, said the firm would

computer systems experts and

administrative staff, is led by

equity derivetives as Kidder Peabody, initially focusing on US securities.

Dominion's move appears, bowever, to be less ambitious than the thrust into global derivatives being undertaken by Wood Gundy, the securities arm of Canadian Imperial Bank of Commerce. Wood Gundy recruited a group of employees from Lehman Bros, the New York investment bank, to spearhead its bid to become a top player in the

### Dell lifted by notebook sales

By Louise Kehoe In San Francisco

Dall Computer, the US personal computer manufacturer, reported record sales for its fourth fiscal quarter, boosted by strong sales of notebook computers and Pentium desktop PCs.

Revenues for the quarter ended January 29 were \$1.03bn, a 39 per cent increase over \$743m in the same period a year ago. Net income for the quarter was \$60.3m, or \$1.36 a share, compared with \$17.7m, or 39 cents, in last year's

Earnings included a one-time benefit of 10 cents a share from the inclusion of an extra month of international operations, as the company unified its domestic and international fiscal calendars.

Excluding the benefit, earnings were still above Wall Street projections or about \$1.03 a share. For the year, worldwide aales totalled \$3.5bn, up 21 per cent from \$2.9bn in fiscal 1994. Net income for the year was \$149.2m, or \$3.38 e sbare, against a loss of \$35.8m, or

The previous year's losses quarters combined.

were in part related to restructuring charges and to Dell'a temporary withdrawal from the notebook computer market due to flaws in its product designs. Dell reentered the market, with new notebook products, in August

Fourth-quarter sales of Pentium PCs represented 44 per cent of systems sales, compared with 32 per cent in the third quarter, Dell said. Sales of notebook computers represented 14 per cent of fourthquarter revenues, surpassing sales for the previous three

### Apple copyright appeal dismissed

By Lousie Kehoe

Apple Computer's seven-year legal battle to protect the "look and feel" of its Macintosh personal computer software ended yesterday when the US Supreme Court let atand a lower court ruling dismissing its claims against Microsoft and Hewlett-Packard.

In its suit, filed in 1988, Appla claimed Microsoft's Windows and a Hewlett-Packard program called NewWave copied the screen displays of Apple'a Macintosh software. When Apple filed its suit, the

company held a clear technology lead with its Macintosh "point and click" graphical user interfaca, which greatly simplifies the use of a personal computer. Today, however, Microsoft's Windows, which offers similar functions, is used on nearly 90 per cent of all At issue was whether screen

symbols representing com-puter functions, such as the dustbin symbol for deleting a text file, were covered by Apple's copyright. In its appeal, Apple asked the justices to decide the

available to computer interfaces. Apple argued that lower courts had erred by "dissecting" the Macintosh displays to determine whether individual elements were covered by its copyright, rather than considering the broad similarities between the Macintosh and Windows. Microsoft and Hewlett-Pack-

extent of copyright protection

ard argued that the case raised "no broad copyright issues" because Apple's rights were lessened by a technologysharing agreement with Micro-

#### **Aracruz Celulose** back in the black

By Angus Foster in São Paulo

Aracruz Celulose, the Brazilian eucalyptus pulp manufacturer, swing to profit due to rising pulp prices and cost-cutting.

Aracruz, which is listed on the New York Stock Exchange as well as in Brazil, reported a profit after tax of R\$217.7m (US\$259m) in the year to December 31, compared with a restated loss of R\$101.5m in 1993.

Mr Luiz Kaufmann, president, said worldwide economic upturn had led to a "vigorous" increase in pulp demand. "This upturn in the cycle appears to have solid sustaining conditions, considering that new pulp production capacities may not be enough to supply the

increasing demand," he said. Net operating revenues increased 26 per cent to R\$526.8m. Most of the increase was due to a 36 per cent rise in the US dollar average pulp price and a 4 per cent increase in sales to 1.07m tonnes. The pulp price increase was not fully reflected in Aracruz's revenues because Brazil's Reai currency appreclated more than 15 per cent against the dollar in the second half of the year. This helped cut net debt by US\$90m to US\$726.4m. Aracruz managed to cut

nearly R\$15m from operating costs, which fell to R\$449.5m. Operating income swung from a R\$47,1m loss to a profit of R\$77.2m. Other income, mainly financial and currency gains, posted a profit of

R\$152.1m. Earnings per common share were 26 centavos, against a 13 centavos loss last time, while earnings for the preferred A and B shares were 35 and 26 centavos respectively. The company is recommending an additional dividend of R\$18.56 per 1,000 ADRs. This follows the December-approved dividend of R\$414.58 per 1,000 ADRs. Each ADR represents 5 class B shares.

All of these securities having been sold, this advertisement appears as a matter of record only.

14,500,000 Shares

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(par value \$0.01 per share)

4.500.000 Shares

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Morgan Stanley & Co.

**ABN AMRO Hoare Govett** 

Société Générale

Deutsche Bank

Yamaichi International (Europe) Limited

10,000,000 Shares

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BANK OF GREECE

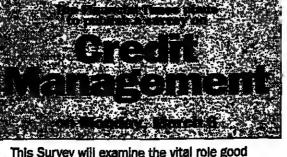
 Interest Amount payable on Interest Payment Date: US\$ 339.38 per US\$ 10,000,00 nominal or US\$ 8,484,38 per US\$ 250,000.00 nominal 3. Interest Payment Date: Bank of America

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North America was the best-performing region last year for Unilever, the Anglo-Dutch consumer goods company, offsetting lower profits

Sir Michael Perry, chairman of the UK arm of Unilever, was cautious about the future in Europe. "We cannot yet be sure when confidence in Europe will grow sufficiently to boost consumer spending. but such signs as there now are seem to be favourable." For the group as a whole,

operating profits before exceptional items rose 6.8 per cent to £2.58bn. North America's contribution rose 18 per cent to £502m on sales ahead 4 per

cent adjusting for currency factors. Volume growth was also up 4 per cent but rose to 8 per cent including acquisitions. The operating profit margin rose one percentage point to 14.6 per cent in the fourth quarter, dwarfing the 5.2 per cent margin in Europe.

Unilever attributed the North American performance to restructuring and cost savings, particularly in deter-gents and ice cream, and to product innovation. The annual margin of 8.5 per cent was sustainable given the variety of positive factors contributing to it, he said.

Personal products, foods, chemicals and a recovery at Lipton Tea all turned in good performances. Detergents held their profits despite a drop in the selling prices of fabriccleaning products.

Europe contributed £1.21hn in operating profits, down 2 per cent, on sales up 4 per cent at £15.72bn. About half the growth in sales came from price increases and the rest rom acquisitions euch as Ortiz-Miko ice cream and frozen foods in France.

Unilever said the problems with its range of Power deter-gents were the main reason for the decline in the overall European operating margin, from

Strong growth in ice cream and iced teas helped offset static profits in oils and dairy fats and declining profits in ready meals and meal compo-nents. The latter problem arose



Sir Michael Perry: cautious about future in Europe

from severe price competition in Germany and operating dif-

rapidly following a successful UK launch of the Organics hair-care range, which will be rolled out across Europe this

spent about half the £490m exceptional restructuring charge it had taken in 1993 and was beginning to benefit from the cost savings. Exceptional

charges fell to £62m in 1994. "Gross restructuring charges of about £100m a year are

markets, such as Poland, Hun-

gary, the Czech Republic and Slovakia. But China, an impor-

tant destination for Unflever

investment, has yet to produce

"I'll be happy to watch a dou-bling or trebling of sales in emerging markets," Sir Mich-

ael said, "and I'll leave my suc-cessors e source of profit for

were, proportionally, less than half of what it rung up in sales. Profits have already started to emerge in some of these new

LEX COMMENT

### GRE lays out plans

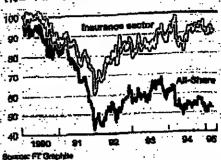
welcome lack of self-congratulation. Yesterday's operating profits were the best in a quarter of a century, the margins more robust than

expected, and yet the group chose to announce a 10 per cent cut in the domestic workforce. It was wise for GRE to spell out its plans for the downturn ahead, rather than harp on about the immediate past. The figures for 1994 probably constitute the peak of the current cycle in insurance earnings, and the 8 per cent fall in motor insurance premiums in the UK is the thin end of the wedge. So far, margins here have remained stable due to a combination of ced costs and improved claims experience. But this is not sustainable. Competition will intensify and margins will be eroded, in this market segment and others. GRE's busine in Germany, the US and Ireland performed strongly last year and provide exposure to

different insurance cycles - but do not give GRE immunity to the UK. The outlook for GRE's shares will hinge less on the group's skills in handling the coming downburn, than on world financial markets. Just as insurance shares performed dreadfully when operating profits were climbing towards their peak, there is no reason why they should not outperform as underwriting profits start to fall. If the market does not perk up, though, thus feeding through to investment income, insurers' ability to increase their dividends will start to look suspect, and valuations will

Trafalgar House

While shareholders in Northern Electric bask in the hope of a higher offer, investors in its aggressor have fared less well. Trafalgar House's ordinary shares have fallen almost 10 per cent since it launched its bid, and its preference shares are now trading at 85p. This compares to the 93p at which they have been underwritten, as part of the bid. Any increased Share price relative to the FT-SE-A indices



offer would probably require it to re-underwrite the preference shares at a far less attrac-

Trafalgar's share performance is not entirely Trafalgar's share performance is not entirely surprising. It is raising money to buy a rather unexciting source of cash flow, which suggests the prospects of its existing businesses may not be that great. In addition, while Northern would enhance Trafalgar earnings even at a far higher price than the 1648p now on the table, this would not all be fed into Trafalgar's religious. Half are enlarged Trafalgar's experience. valuation. Half an enlarged Trafalgar's profits would come from electricity. And any valuation would carry a political risk discount given the potential for a Labour government and regulatory interference.

Northern's scheme for paying investors cash and other financial goodles worth over 500p suggests a base valuation of 1050p or so for the shares is not unreasonable. Also, Trafulgar could receive tax benefits worth 150p to 200p more from a merger because of its written off advance corporation tax. Of course, these benefits are Trafalgar's and could be realised through other buys. But they offer scope for some sweetening before Friday's deadline.

### Two-pronged strategy for emerging markets

By Ronald van de Krol in Rotterdam and Roderick Oram

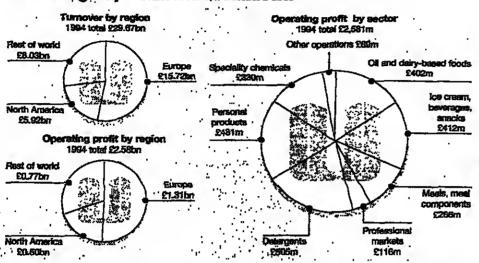
Unilever, the Anglo-Dutch consumer products group, is planning to pursue the twopronged approach of organic growth and acquisition to boost its presence, sales and profits in emerging markets. Acquisitions will probably play a more limited role than the group's own efforts to start up businesses from scratch in

order to achieve organic growth. "Every now and again you take a short cut by doing an acquisition," said Mr Morris Tabaksblat, chairman of Uni-lever NV, the Dutch arm of the group. But he pointed out that this is not possible, for regulatory or other reasons, in every

country.

Both [ecquisitions and organic growth! happen, but I think that, in acquisitions, the

opportunities are fairly limited," he said.
Sir Michael Perry, chairman of Unilever pic, the UK arm, said that one of the more likely evenues was food companies in developing countries. Last year Unilever made substantial ecquisitions in Argentina (tomato-based food), Venezuela (ice cream) and India (detergents and an ice-cream alliUnilever group financial breakdown



organic growth in countries where it acquired hardly any

In central and eastern Europe, turnover jumped by 25 per cent in 1994 to £500m (\$775m). Nearly all this growth was organic, Mr Tabaksblat said, as Unilever made just one acquisition - a small Hungarian frozen food company. Turnover in China and Hong

Kong trebled to £130m, of which come £100m was in

Mr Tabaksblat said the com-

pany was "fairly well on course" to reach its goal of generating about one third of its annual turnover in the geographic category "rest of the world" by the end of the

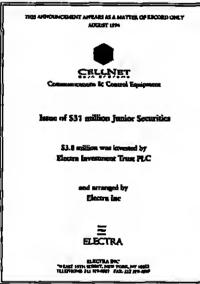
In 1994, Unilever reported 53 per cent of its sales in Europe, 20 per cent in North America and 27 per cent in the rest of the world, a broad category that includes not only developed countries such as Japan and New Zealand but also developing countries in Asia, Africa and South America. In pursuit of its emerging markets policy. Unliever is having to invest more in these countries than it currently gets back in profits.

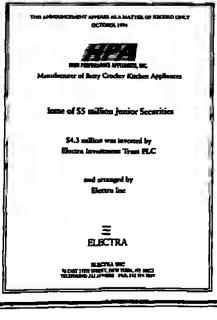
Last year, 26.7 per cent of fixed-asset investment and acquisition spending was concentrated in emerging markets, while these countries generated just 24,2 per cent of turnover. This marks a turnround from the 1980s, when Unilever's investment and acquisitions in emerging markets

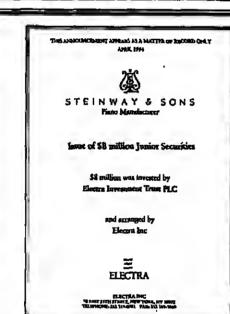
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spiter left Green	51.3	(74.8)	1.02	(0.866)	4.06	(3.44 )	1.8	Mer 31	1.7	3.6	3,4
sciffic Assets	466.1	(881.54)	0.4	(1.46)	1.98	(2.32)	1.3	Apr 21	1.2	1.3	1.2
kreecot Yr to Dec 31	144.7	(155.5)	1.09	(0.881)	6.62	(5.43)	1.6	Mer 31	1.75	5.4	5.0
emple Bar	339.2	(384,17)	8.10	(7.9)	14.24	(13.79 )	9.25	Mar 31	8.95	13.96	13,5

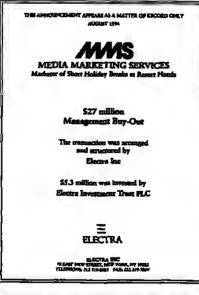
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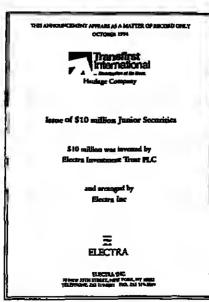
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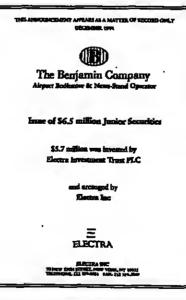
1994 **TRANSACTIONS** 

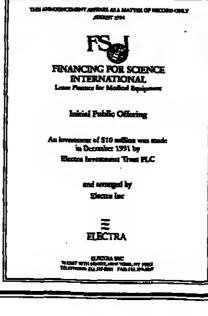
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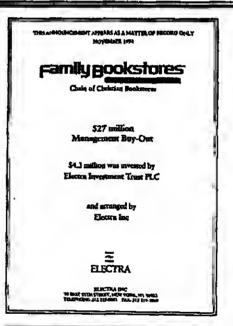
The principal activity of Electra Kingsway is the provision of equity capital for private companies and . unlisted equity instruments for public companies. Funds under our management are invested in a variety of equity transactions where capital is required for management buy-outs and buy-ins, expansion and refinancing. Our principal areas of activity are the UK, Continental Europe and the USA.

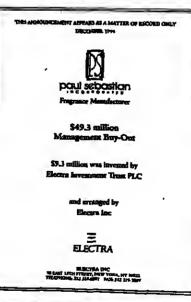


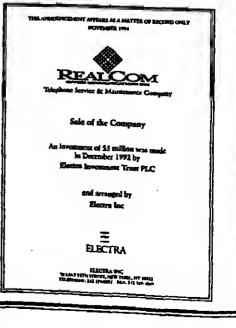












FINANCIAL TIMES WEDNESDAY FURBILIARY 22 1904



# BUSINESS IN RUSSIA? SPEAK TO US.



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Expro to

go ahead

with float

Expro International, the oil services group seeking to come to the market via a placing

and public offering oext

month, said it was not "intimi-

dated" hy current conditions

and intended to go ahead with

Mr John Dawson, chief exec-

ntive, said Expro was confi-

dent that investors would sup-

port the flotation, expected to

value the company at about

£100m (\$155m). It hopes to

raise £50m-£55m to cut debt.

Flotatioo plans were resur-rected last month, having been planned originally for last

the planned flotation.

### International earnings lift GRE

By Ralph Atkins,

Guardian Royal Exchange, the composite insurer, yesterday announced a 63 per cent increase in trading profits in 1994, helped by stronger-thanexpected earnings from international operations.

GRE acknowledged that UK trading conditions were worsening, but argued it was better placed for the expected downturn in insurance than at the previous late-1980s peak. Private motor insurance premium rates, for instance, were 8 per ceot lower than a year before and may fall a further 5 per cent - but claims had also fallen substantially.

Mr John Robins, chief executive, said he was prepared to see premium income fall to protect profitability. "We are

Strong growth in Its Europeao

and North Americao retall operatione and continued

expansioo io fee-based busi-

oesses helped Sedgwick, the

insurance broker, increase full-

year pre-tax profits 34 per cent

from £70.5m to £94.4m

The results, which were at the top eod of expectations,

lifted Sedgwick from third to

second place in the global rankings of insurance brokers, behind Marsh & McLennan of

By Patrick Harverson

(\$146.3m).

not going to run after volume,"

An exceptional charge of £28m was announced to cover restructuring costs, including a further 500 job cuts in the UK general business, a atreamlining of German operations and management changes in

Trading profits reached £298m (\$461.9m) in 1994, up from £183m in 1993. After taking account of investment losses, the group made a pretax loss of £75m against e profit last time of £751m. GRE is unique among the main UK composite insurers in presenting its accounts this way. Total premium income rose from £3.3bn to £3.7bn.

GRE's results were spoiled hy poor figures for UK life business. Income from new single-premium policiee was



John Robins: 'we are not going

almost halved, from £156m in 1993 to £81m. The group blamed poor publicity for life products generally and the lack of activity in the mortgage market. GRE has aiready

announced about 800 job cuts on the life side and did not rule oot further reductions. An exceptional charge of £11m associated with a review of the UK financial services division was included in the 1994 life fund figures.

Trading profits at GRE's lrish insurance operations. which are dominated by private motor insurance, jumped from £29m to £40m. Albingia, the group's German subsidiary, turned a trading loss of £13m in 1993 into a profit of £14m. The US subsidiary's trading profits slipped from £12m to 211m, but its speciality auto business, which eccounts for 40 per cent of US business, performed well, helped by the acquisition of the National Corporation and American Ambassador Casualty Company. See Lex

Expro, an Aberdeen-based company providing technical services to big oil companies, yesterday published its path-finder prospectus. The oew shares are to be placed with institutions and other investors, with a maximum 25 per cent clawback to cover the public offer. The directors and existing institutional investors would not be selling shares,

executives said.

The company reported substantial oil and gas development activity in its main markets in the UK, Asia and Europe. It predicted a 17 per cent rise in operating profits to £12m for the year to March 31.

Pricing is expected on March 14, with first dealings oo

### United Biscuits chooses 'hard man' as next chief

By Roderick Oram, Consumer Industries Editor

United Biscuits, perennial takeover grist in the City's rumour mill, has chosen as its next chairman Mr Colin Short, a veteran defender from two classic corporate showdowns.

As finance director of Imperial Chemical Industries, he was widely credited with a key role in thwarting Lord Hanson's tilt at the company in 1991. He held a similar post at Gulf Oil, the US group which defeated a 1983 bid from Mr T Boone Pickens, the maverick Texas oilman.

The company and its advisers, however, played down yes-terday those salient features of Mr Short's career. They stressed instead his rigorous financial and managerial

During five years at ICI, he is credited with tightening the sprawling giant's financial systems and overhauling its informatioo technology. He also helped steer through the Zeneca, ICI'e pharmaceutical husiness. "He brings steadiness and rigour to a board", one col-

league said. Mr Short, 60, said that the two main qualities he would bring were "my experience in managing change and my financial background." He has already served three years as a non-executive director at UB. Although he will become nonexecutive chairman in July, he is expected to work full



Colin Short: veteran defender from two classic showdowns

time, at least initially.
"Entering an industry going through a very competitive period" was one of UB's attracions to him, he said. Working with "an exciting young man-agement team" was another factor. Mr Eric Nicoli, chief executive, and many of his board colleagues are in their

UB has struggled to regain its footing after an unsuccessful diversification in restaurants, frozen foods and other non-core business in the late 1970s and early 1980s. Mr Nicoli and his team have made progress in focusing on biscuits and snacks and in expanding out of the UK and US into Europe and Asia but the share price has languished.

"They may have to defend themselves because they are pretty exposed by their dis-

couraging record," one food analyst said. The long roster of rumoured hoetile bidders includes Hanson, Philip Morris and Nestle

Lord Hanson reportedly con-sidered Mr Short the "hard man" who helped give ICI the resolve to fight him. He was one of four board members in an "inner cabinet" formed to defend ICL Mr Short was the only colleague to accompany Sir Denys Henderson, then ICI's chairman, to the only face-to-face meeting with Lord Hanson and Lord White, his partner, during the 1991 bat-

At UB, Mr Short will replace Sir Robert Clarke who is retir-ing after 24 years with the company. His posts included chief executive from 1986 and

### Yorkshire Chemicals survives volatility

By Matoko Rich

Yorkshire Chemicals, the dyes and specialist chemicals manufacturer, lifted pre-tax profits 10 per cent from £13m to £14.4m (\$22.3m) last year, despite price erosion and higher raw-material costs.

Mr Phillip Lowe, chairman, been achieved despite fragile market conditions which were markedly volatile during the third quarter.

Compared with results at the half-year, when pre-tax profits rose 19 per cent, yesterday's figures were "a bit" disappointing, he said. But he was pleased with sales growth, which increased 7 per cent to £119.8m (£112m) in spite of average price reductions of about 2.5 per cent.

The market, however, appeared concerned that the rate of sales growth abated shares lost 9p to close at 346p. Mr Lowe was confident of an improved performance in the current year because the company had built up stocks of raw materials and price erosion appeared to be reversing. Annual pre-tax profits were flattered by sterling exchange rates and would have been £400,000 lower if 1993 exchange rates had prevailed.

Yorkshire Australia, which makes taxtile dyes and pig-

Yorkshire Chemicals

ments, and Yorkshire Speciality Products, which manufactures leather dyes and tanning agents and chemicals for the precision engineering industry, were the best performing divisions, raising turnover by about 24 per cent.

Sales in North and South per cent to £25.3m (£27.9m). Mr Lowe said this was mainly because of rationalisation of the company's US merchanting activities which began in September 1993.

Capital spending dropped 39 per cent to £8.34m (£13.6m). Mr Lowe said this was attributable to timing rather than policy. Earnings per share rose from 21.1p to 22.5p. The recommended final dividend is 5.85p (5.5p) for a total 8.6p (8.1p).

#### Macro turnover slows

By Paul Taylor

Macro 4, which makes software products for IBM and IBM-compatible mainframe and midrange computers, yesterday reported a 5.3 per cent increas in interim pre-tax profits.

Nevertheless, the company, which spect £4.82m (\$7.47m) in November buying back 1.1m of its shares, blamed its "disappointing" 1.5 per cent increase in turnover on difficult trading conditions, caused in particular by the switch from mainframe computers to clieot/server systems based oo networks of personal comput-

Pre-tax profits increased to

£5.69m in the six months to December 31, up from £5.4m in the same period in 1993, on turnover which edged up to

£12.3m (£12.1m). Mr Terry Kelly, chairman, said the current trend in migration from mainframes to other computer platforms was showing "few signs of abatement"

Mr Kelly said turnover on the group's longer-established mainframe software products, although holding up well in most territories, had fallen elightly overall because the ing to match up to the cancellations of software agreements. particularly in Germany.

Notice to the Warrantholders to Subscribe for Shares of Common Stock of SAISON GROUP

PARCO CO., LTD (the "Company") in Conjunction with the Issue of U.S.\$100,000,000 4 per cent. Guaranteed Bonds Due 1995

In respect of the above Warrants, notice is hereby given as follows: 1. On 10th February, 1995, the Board of Directors of the Company resolved to make a Stock Split with respect to shares of its common stock owned by shareholders of record as of 28th February, 1995, at the rate of 1.1 shares for one share so recorded, effective 20th April, 1995. 2. As a result of the above Stock Split, the Subscription Price of the above

Warrants per share of common stock will be adjusted, pursuant to Clause 3 of the Instrument dated 11th April, 1991, as follows: V2,101.20 per Share

Subscription Price before adjustment: Subscription Price after adjustment Effective Date of adjustment:

¥1,910.20 per Share Ist March, 1995 (Japan time)

PARCO CO., LTD. By: Dai-Ichi Kangyo Trust Company of New York

22nd February, 1995

Sedgwick moves ahead to £94.4m American insurance markets. The group believes that It

Total revenue for the year ended December 31 advanced from £809.7m to £931.3m. Mr Sax Riley, chief execotive, said the profits growth proved that the group'e strategy of developing its worldwide retail insurance broking network and expanding its consulting operations was paying Last year, the improvement off. "We're taking the medicine, and it'e working," he

Even so, the outlook for Sedgwick's earnings this year is clouded by the recent softening of rates in the UK, conticental European and North

can cootinue to grow despite Mr Riley said it would pursue expansioo "through organic growth, cross-selling, acquisitions when opportunities arise and venturing into new and complementary markets."

in earnings came primarily from the European and North American insurance husies, which lifted retail hrokerage and fees on an underlyiog basie (excluding ecquisitions) by 8 per cent These gains helped offset a modest underlying decline in brokerage and fees at Sedgwick Payne, the group'e specialist insurance operatioo in a Lon-doo market undermined by overcapacity and intense com-

Sedgwick Noble Lowndes, its financial services and consulting arm, turned in a better per formance thanks to sharply lower costs, against a difficult background in the UK life and personal pensions industry. Earnings per share reached

Post-flotation gearing is estinated at 50 per cent.



# Preliminary Results 1994

Sales increased by 8% and net profit by 21% over 1993, at constant rates of exchange. Before exceptional items, an 8% increase in operating profit was reduced by higher interest charges and tax rates to a net profit increase of 3%.

This was a year of contrasting performances in our regions, but the rate of sales growth improved as the year progressed. Whilst the European economies strengthened during the second part of the year, growth in Europe was restrained, in part because of the unsuccessful launch of the Power range of detergents in some countries. The most significant feature of the results, however, was the improvement in North America, where the action taken in recent years to reduce costs and invest in growing businesses led to a sharp rise in profits. Outside Europe and North America our businesses continue to grow rapidly and now account for 27% of the Group's worldwide sales.

At average exchange rates prevailing in each year, net profit rose by 20% in sterling and in guilders and by 22% in US dollars.

RESULTS	1994 £m 1	1993 anaudited	Increase Current rates	lucrease Constant rates
TURNOVER	29,666	27,863	6%	8%
OPERATING PROFIT	2,519	1,937	30%	32%
Operating profit before exceptional items Exceptional items	re 2,581 (62)	2,427 (490)	6%	8%
Exceptional profit on disposal of fixed assets	14	88		
PROFIT BEFORE TAXATION	2,583	1,927	24%	25%
Taxation	(762)	(580)		
NET PROFIT	1,559	1,296	20%	21%
Net profit before exceptional items	t,571	1,533	2%	3%
Dividentls on ordinary capital	(568)	(537)		
Combined earnings per share	85.59p	69.45p	20%	

#### **OPERATIONS**

In Europe, operating profit before exceptional items was marginally reduced. Among the food categories our ice cream operations had an excellent year with a significant increase in both sales and profit, augmented by acquisition. Although the market for margarine declined, profits from oil and dairy based foods were only slightly lower. In beverages the rapid expansion of ready-to-drink tea continued and black tea profits rose. Both meals and meal components and professional markets, however, recorded reduced profits. In detergents we have taken charges of £57 million to cover write-offs and other costs associated with the Power launch. As a consequence profits in detergents fell, as did sales. In our personal products business, sales increased but profits were unchanged. Speciality chemicals performed very well, with growing demand contributing to increases in both sales and profit.

In Nurth America most of our businesses participated in a significantly improved performance. In foods, our ice cream operation benefitted from the successful integration of recent acquisitions ahead of the summer season and excellent increases in sales and profits were recorded. In oil and dairy based foods we increased our share of a declining market and profits advanced. Profits in beverages and meals and meal components also improved. An exception to this good performance was professional markets, where profits fell. In detergents restructuring continued and while sales were lower,

profits were maintained. A very strong performance from personal products reflected successful innovation in key categories, most notably toothpaste and fine fragrances. Speciality chemicals recorded another year of sales and profit growth.

Outside Europe and North America our business grew rapidly, with detergents and personal products the most significant contributors. During 1994 we continued to invest heavily in building our operations in emerging markets, most notably in India and Chioa and, despite this high level of investment, overall margins rose. Our expanding foods operations made an increased contribution, led by meals and meal components, and speciality chemicals also contributed well. Good results were geographically widespread. India and South Africa recorded particular progress and our Latin American businesses continued to expand, most notably in Argeotina and Chile. Improved results in Japan were enhanced by the effect of an acquisition. FOURTH OUARTER

Sales growth of 9% provided a strong finish to the year. The quarter's results reflect the effect of the high restructuring charges taken in 1993.

At constant rates of exchange net profit rose by 108%, which, before exceptional items, is equivalent to 6%. At the average rates of exchange for each periud, net profit increased by 110% in sterling, 105% in guilders and 123% in dollars over the corresponding period of 1993.

Financial Reporting Standard 4 (FRS 4)

With effect from second quarter 1994, Unilever has adopted FRS 4 (Capital Instruments) of the United Kingdom Accounting Standards Board. This has required reclassification of the dividends on certain preference shares in a group company from minority interests to interest payable in the Profit and Loss Account for 1993. The preference shares were repurchased on 13 January 1994. Adoption of the Standard has no effect on reported net profit. Acquisitions and Discontinued Operations

In 1994 the effect on turnover and operating profit of acquisitions made in the year was £719 million eod £49 million respectively. There were no discontinued operations in 1994 or 1993.

DIVIDENDS		1994	1993
PLC per 5p ordinary	-final	20.30p	18.95p
	-total	26.81p	25.03p
N.V. per Fl.4 ordinary	-final	FL4.71	Fl.4.40
	-total	FL6.19	F1.5.88

For the purpose of equalising N.V.'s and PLC's dividends under the Equalisation Agreement, the Advance Corporation Tax ('ACT') in respect of any dividend paid by PLC has to be treated as part of the dividend. PLC's 1994 final dividend now announced has been calculated by reference to the current rate of ACT (twenty/eightieths); if the effective rate applicable to payment of the dividend is different, the amount will be adjusted accordingly and a further announcement made.

The PLC finel dividend will be paid on 19 May 1995 to shareholders registered on 13 April 1995.

The N.V. final dividend will be payable as from 19 May 1995.

The Annual Review and Annual Accounts for 1994 will be published on 8 April 1995. The results for the first quarter 1995 will be announced on Tuesday 9 May

For copies of Unilever results statements telephone Freephone 0800 181 891 or write to: Unilever Corporate Relations, P.O. Box 68, Unilever House, London EC4P 4BQ, or P.O. Box 760, 3000 DK Rotterdam.

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#### **COMMODITIES AND AGRICULTURE**

### Coffee prices above \$3,000

iscuits chooses =

Yorkshire Chemi

survives volatilio

Nearby delivery coffee futures prices spurted through \$3,000 a tonne in London yesterday to reach the highest levels this year, as concern about dry weather in Colombia and a shortage of robusta supplies attracted investment fund buyers back into the market.
The May position closed \$54

higher at \$3,013, supported by e strong New York market, leaving it 5.4 per cent up this week.

London prices have risen by 16 per cent in the past two weeks. But they are still more than \$1,000 a torme below last year's peaks, which were reached after two severe frosts and a drought in Brazil, the

world's biggest producer. Arabica futures in New York, which triggered London's \$101 gain on Monday with their strong performance last Friday, were firm again

vesterday after Monday's Presidents' Day boliday. May was up 8.60 cents at 173.20 cents e pound in afternoon trading.

Mr David Phipps, a senior trader at Merrill Lynch in London, said the robusta market was being driven by e shortage of supplies from countries such as Cameroon and Ivory Coast. They were hoarding so as not to miss out on any price surges that might arise from Brazil's problems last year.

The dry spell in Colombia, the second biggest coffee exporter, was adding to supply fears, he said. It could harm the mid-season crop, due for picking at the end of March, and might affect the quality of the main crop later in the year. Meanwhile, consumer stocks were tight. "Roasters worldwide have been drawing down on pipeline supplies. It's hand-to-mouth, with very little

# Spanish aluminium group explains why it reactivated capacity

By Kenneth Gooding, Mining Correspondent

Mr Javier Alvarez Vara, president of Industria Española del Aluminio (Inespal), explained yesterday why the state-owned Spanish group had reactivated aluminium capacity in abrogation of its previous support for the international trade agreement under which in producers world-wide

cut output last year. He said Inespel had taken the step partly because it had been put up for sale and, with this in mind, the group wanted to take full advantage of rising prices to get back into profit. So it had brought back into operation annual primary aluminium production capacity of 35,000 tonnes that had been shut down in April last year

tial access to the European

A US government statement,

clarifying its position, has not mollified regional banana pro-

ducars. If it is Washington's

intention to attack the EU

banana import regime, the

Caribbean producers contend, then inevitably it represents

an attack on the banana mar-

ket on which many small

There is a growing belief in the region that Washington is

acting out of concerns that

range wider than the banana

trade and the complaint lodged

with the US Trade Representa-

tive's office by US banana pro-

ducars. Caribbean producers are further confused about the

perceived haste in Washington.

They claim that the trade rep-

resentative harshly attacked

tha EU's banana import

Caribbean economies depend.

and was now working at full stretch - an annual rate of 350,000 tonnes.

Mr Alvarez Vara said Inespal, which acted quickly to shut down 10 per cent of its capacity after the international agreement was reached in Brussels in February last year, was "a bit disappointed" with the reaction of other aluminium companies in Europe and elsewhere after the trade talks and this also influenced the decision to re-start.

mespal suffered five years of losses during the deep recession that engulfed the global aluminium industry. It is expected to report a net loss of Pta16bn (US\$124m) for 1994, down from Pta25bn the previous year. The Spanish state holding company, Instituto Nacional de Industria, which

owns Inespal, usually reports its financial results in March. Morgan Stanley, the US financial services group, has been asked to advise on the sale of inespal, preferably as

LME WARMHOUSE & (As at Monday's close)

-17,825 to 1,449,075 -300 to 28,840 -1,825 to 289,000 -2,875 to 318,875 -480 to 194,310 -4,025 to 1,123,175 -110 to 25,750

one integrated unit but possibly to two or three different buyers. Inespai in 1993 had sales of Pta33bn and year-end assets of Pta20Sbn. Apart from its three primary aluminium smelters - at San Ciprian, Aviles and La Corma - the

annual alumina capacity (the raw material for aluminium). hot and cold rolling mills with an output of about 400,000 tonnes a year as well as producing about 30,000 tonnes of aluminium extrusions.

In 1990 Inespal launched "Delfin" (Desarollo Estrategico de las Lineas de Fabrication de Inespal), e Pta47bn, five-year programme aimed mainly at modernising its rolling facili-ties and other downstream activities. This has gone hand in hand with a cut in the workforce, from 8,000 to 5,000 and to 4.500 by 1997. This cost another

Although Inespal claims to pay more for its energy than any other aluminium producer in the world, it reckons its cash production costs are rela-

Costa Rican implementation of

the banana framework agree-

ment would further compound

the discrimination against US companies. "These countries'

implementation of the frame-

work agreement triggered the

investigation," the US state-

ment said. Caribbean produc-

ers say any attack on this framework agreement cannot be sustained because it is too

recent for its effect to be deter-

mined. "The previous com-plaints by the Latin American

producers were because we did not have a Gatt waiver for the Lome Convention, the treaty

MEAT AND LIVESTOCK

IN LIVE CATTLE CIME (40,000bs; comp/lbs

tonne (54.5 cents a pound), primarily because the Aviles and La Coruna smelters are old Söderberg plants that have been fully depreciated.

Inespal was formed from a

merger of INI's aluminium operations with the Spanish interests of Alcan of Canada, the world's second largest aluminium group. Alcan owned about 25 per cent of Inespal until it sold to INI because it did not like the Delfin programme. Relationships remain close, nevertheless, and Inespal recently signed another con-tract for Alcan to supply about 45 per cent of its bauxite requirements to the year 2005. The Spanish government five

years ago attempted without

success to persuade Alcan to

take full control of Inespal.

Other companies said to have

Rich, now re-named Clarendon. Five of Kaiser Aluminum's largest US operations have been hit by a strike, writes Laurie Morse in Chicago. In a contract dispute over work rules, more than 3,000 United Steel Workers of America members walked out at Kaiser's two smelters at Mead and Tacoma, Washington; at the company's alumina refinery in Gramercy, Louisiana; and at fabricating and rod plants in Trentwood, Washington and Newark, Ohio. Kasier said it would continue to operate a six of its potlines at the Mead smelter with salaried personnel, but would shut down one

expressed an interest at that

time included Aluminlum

Company of America (Alcoa),

VAW of Germany and Marc

### Caribbean producers suspect hidden agenda in banana row

There is a growing belief that Washington is motivated by wider-ranging concerns, writes Canute James

earful of being injured by the fall-out from the 'Great Banana War' Fischler under fire between the US and the Euronean Union. Caribbean producers have been thrown into conture minister, said the council fusion by the timing, and the perceived motive, of Washing-ton's attack on their preferenhad e duty to warn farmers

A majority of European Community agriculture ministers yesterday accused the European Commission of going too far in its farm price propos-als, announced last week by

Mr Franz Fischler, the new

In e televised debate ministers from most member states lambasted Mr Fischler for making proposals that went beyond price changes introduced under reforms negotiated by Mr Ray MacSharry in 1992. "Whole reform yes, but noth-ing but the reform. You are taking a risk by asking us to go beyond the reform." Mr Pierre Ofivier Drege, director general of the French cabinet,

However, ministers from Britain, Sweden and Denmark accused Mr Fischler of not going far enough. Mr William Waldegrave, the UK agricul-

that the 1992 reforms were not sufficient in preparing the EU for enlargement or to help meet its targets under the General Agreement on Tariffs and

"We are not talking about cliff-edges, but about steady movement," he said.

Mr Fischler's proposals included cutting the butter intervention price by 2 per cent and the monthly storage payments for cereals by 10 per cent. Ha also proposed reducing the present seven-month cereal intervention period by two months. He defended the proposals

emphasising they were modest because he wanted the council to turn its attention to sectors, such as wine, untouched by the MacSharry reforms. But ministers opposing the

changes warned about the uncertainty facing farmers and called for a period of stability.

Precious Metals continued

arrangement before e promised meeting between the US government and Caribbean producers to discuss the matter. Responding to complaints

from Chiquita Brands International, which produces bananas in Latin America, and the producers association in Hawaii, that the 20-month-old EU import arrangement discriminated against US producers, Mr Mickey Kantor, the US trade representative, concluded that the claims were justified. He has threatened retaliation. In its statement clarifying its

position, which was issued through it embassy in Barbados, the US said it "understands that Caribbean banana producers need preferential access to the European market". Caribbean government officials say Mr Kantor told them this at the December Summit of the Americas in Miami.

There has been no change in the US position regarding the banana investigation since the Mlami Summit," the state-ment said. The US remained committed to working with the Caribbean countries as out-

Sett Deg's

Police in St Lucia were put on alert yesterday after disaffected banana farmers amounced an indefinite strike, writes Canute James. The growers say they are protesting et the government's refusal to discuss the management of the industry and to share with them details of e new marketing contract.

St Lucia is the largest producer among the four Windward Islands of the eastern Caribbean, which account for about two thirds of the bananas consumed in Britain. A similar strike late last year cost the industry "million of dollars", according to officials. In calling the strike, the dissident Banana Salvation Committee told its members not to reap any fruit for export. "Due to past activities involving the blocking of roads and the burning of sheds and destruction of farmers crops, police have been put on fall alert," said a statement from the prime minis-

lined in the terms of reference of the technical working group. The U.S. government is developing information to respond to Caribbean concerns and hopes to be able to work out soon a mutually convenient time and place for this group to meet," the statement said. The focus of the US trade repesentative's investigation was the European Union's banana regime, and consequently "Caribbean countries are in no way targeted by this investiga-

tion", the statement said. Washington was also con-cerned that Colombian and

access to the EU market," says Mr Marshall Hall, chief executive of the Producers Group. which markets Jameican ananas in Europe.

which allows our preferential

"With the Gatt waiver which was granted the Lome Convention, the EU felt it was implementing e treaty not inconsistent with Gatt. We find the ettitude of the US peculiar. Section 301 of the US Trade Act, under which the trade representative acted, is to protect US firms and their employees But no US firms grow bananas in the United States.'

Chiquita Brands made a strategic error, Mr Hall contends. "They guessed wrongly that our preferences would not be maintained, and they told the Latin Americans to increase production. Last year was a good one for Latin American hananas, that is why other producers such as Dole are not joining Chiquita in complaining as Dole is doing very well."

The Caribbean exporters' worst fear is that they will lose market share in Europe to more competitive Latin American "dollar" fruit. If the US

**JOTTER PAD** 

action results in a change in the EU import arrangement. they say, then preferential access for Caribbean fruit will be reduced

Several Caribbean govern-ments, mainly in the Windward Islands, which produce most of the bananas consumed in Britain, have sent letters to Washington complaining of the Trade Representative's plan to retaliate against European

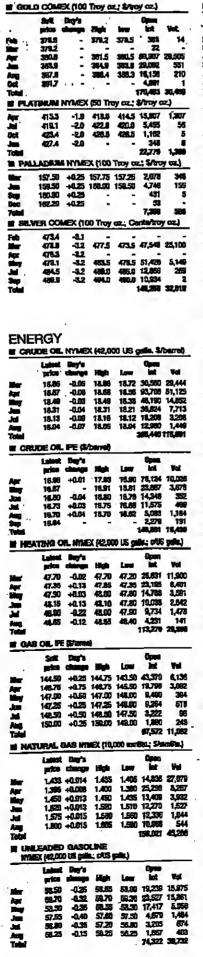
The US government and the Caribbean exporters agreed in December to establish a committee to discuss the banana controversy, while the US trade representative continued its investigation of the claims of discrimination made by the US banana producers.

"That the US has acted before the promised meeting leads us to believe that there is much more than bananas involved," says an official in the Caribbean Community sec retarlat. "The haste in which the US trade representative acted leads us to believe that the argument over bananas was e convenient tool in dealing with some other matters."

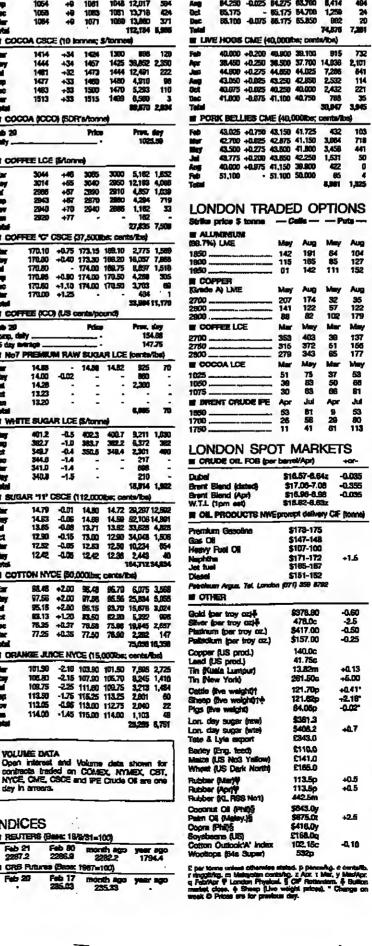
### COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE

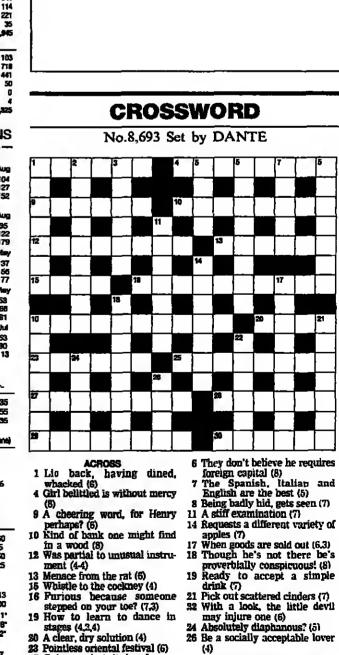
E ALUMANUMA, 96	. Cost	3 milhe
Close	1904-5	1938.5-39.0
Provinces	1896,5-89.5	1932-33
High/low	1916/1916	1955/1932
AM Official	1917-10	1948.5-49.5
Kerb close	****	1934-5
Open Int.	225,334 65,992	
Total daily turnove		•
I ALUMBUUM AL		
Close	1875-65	1915-20 1880-900
Previous	1835-55 1870	1925/1915
High/low ANI Official .	1870-75	1910-23
Kerb close	2010-10	1910-20
Open int.	2,782	•=
Total delly turnove		
I LEAD & per ton		
Close	583-84	602-3
Previous	581-63	520-601
High/low		612/593
AM Official	589-90	606-7
Kerb close		605-6
Open Int.	38,825	
Total daily tumovo		
MICKEL (\$ per 1		
Closs	8400-10	8560-65 8475-85
Provious	8330-40	8475-85
High/low	8430-40	8590/8525 8590-90
AM Official	8430-40	<del>2</del> 670-5
Kerb close Open Int.	56,400	
Total delly turnove		
III TIN (\$ per tores		
	5520-50	5810-15
Close Previous	5425-35	5520-30
High/low	5520/5505	5690/5550
AM Official	5510-20	5590-95
Karb close		5520-30
Open Int.	20,882	
Total daily turnove		
at 25NC, special h		
Close	1040-41	1064-65
Previous	1034-36	1058-00
High/low	1040-41	1064.5-85.0
AM Official Karb ciose	1040-41	1068-87
Open int.	102,056	
Total daily turnove		
E COPPER, grad		
Close	2884-85	2879-80
Previous	2580-81	2873-74
High/low	2890	2885/2873
AM Official	2890-81	2883-84
Kerb close		2 <del>579-8</del> 0
Open Int.	232,602	
Total daily turnove	38,212	
E LIME AM OFFICE	el 2/6 retec 1.54 /5 retec 1.5425	<b>183</b>
Spot:1.5820 3 mmt.1.	5602 6 min. 1.5770	
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	Gold Lending Rs	
2 months	4.34 12 1144	ths5.87
3 months		US eta equiv.
Store Flot Sport	p/tray 07. 302.30	477,75
3 months	308.75	484.25 . 481.90
B months	324,65	609.25
1 year Gold Coins	S price	2 aquav. 239-242
Kruperrand	379-382	ZHIPE.



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lap lop Oct	165.7	+0.5	165.8	166.2	4,248 8,180	227 81	May
					12,446	2,050	Total
	335.1	uz (z	tonne		_		thr
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26 Be a socially acceptable lover 25 Gets up, but it involves a scramble (8) Solution 8,692

(8) 28 Held with an awkward grip 30 Figure artificial silk to be something colourful (6) 1 He's best giving orders (7)

2 Inflowing currency (5,4) 3 Creatures from China and Japan, for example (6)
5 Fruit sounding nothing like e

Matif link with

DTB under fire

By Graham Bowley in London and Lisa Bransten in New York

Italian government bond prices turned sharply downwards yesterday after figures were released showing a marked increase in the rate of infla-

Uncertainty surrounding the Dini government's mini-budget further undermined confidence, with dealers fearing tbat tax rises in the budget could add to inflationary pres-

"The near-term inflation risk in Italy is mounting, which points to central bank interest rate hikes sooner rather than later." said Mr Ken Wattret. international economist at

HSBC Greeowell.

ened from 495 basis points to 508 points.

The March futures contract on Liffe fell by 0.92 points to 98,90.

■ Other European government bonds also fell, under-performing US Treasuries.

German bonds dropped after comments by the Bundesbank in its monthly bulletin that domestic price risks are rising. Strong producer price data and uncertainty over the IG Metall wage talks also weighed

on prices. "Until we see further developments the bond market will remain vulnerable to bad oews on the strike talks," said Mr Wattret

The March bund futures con-The yield spread on Italian tract on Liffe was down 0.21 to boods over German bunds wid- 90.45 in late trading. Mr Kirit

Shah, at First Chicago, said it could fall to 90.20 or even lower

■ UK gilt prices fell in line with the rest of Europe, with some nervousness ahead of today's auction of £2bn of 10-year bonds.

#### GOVERNMENT BONDS

There was little reaction in prices to the announcement by the UK Treasury of the introduction of an open market in gilt sale and repurchase agreements in January 1996.

Dealers welcomed the announcement and the move to allow gilt interest payments gross of tax, with tax paid widened to 142 basis points. The long gilt future on Liffe was down it to 1011 in late

French government bonds fell, with the yield spread over bunds widening by about 3 basis points to 61 points.

A new poll showing a further fall in prime minister Edouard Balladur's standing hit confi-

Ms Mary Bloem, bond strategist at Paribas Capital Markets, said the yield spread over bunds could widen to 65 basis points if Mr Raymond Barre, the former centrist prime minister, enters the presidential election race.

The March futures contract on Matif settled at 111.62, down

US DOLLARS

D-MARKS

SWISS FRANCS SXL Corp.(e,c)+( Dreadner Finance

Autobacs Seven Co.(a) \$
Citi Investments

De Beers Centenery Finance(b) Bank of Instend

φWith equity warrants. #Semi-ennual coupon. of Long 1st coupon.

The yield spread over bunds 

US Treasury prices were flat to lower yesterday morning as traders waited for signals about inflation and monetary policy expected to come from Congressional testimony today by Mr Alan Greenspan, chair-

man of the Federal Reserve. At midday the benchmark 30-year Treasury was down i at 100% to yield 7.590 per cent. At the short end of the market, the two-year note was unchanged at 100%, yielding 7.041 per cent

Mr Greenspan has been consistent in highlighting data showing price pressures at intermediate levels in the economy, and traders are waiting to see if he will give signals in his twice-yearly Humphrey-Hawkins testimony to Congress that he believes them to

**NEW INTERNATIONAL BOND ISSUES** 

Many Wall Street economists still believe the Fed will tighten monetary policy at least once more this year probably next month.

However, stock and bond investors have pushed those markets up, betting that inflation is under control without another rate increase, and late on Friday, Mr Alan Blinder, vice-chairman of the Fed, pointed to recent data he said suggest the economy may be

One factor putting pressure on the bond market was the dollar's continued slide against the D-Mark.

In morning trading the cur-rency weakened to DM1.4769 from DM1.4820 late on Friday. The dollar gained soma ground against the yen, however, rising to Y97.24 from Y97.15.

+350(T-bit) Citibank Internations

#### Mr John Morse, a "local", ona of about 100 individuals who trada on their own behalf, said he had already gathered more than 600 signatures from others on the Matif expressing concern that the way the market is developing could jeop-ardise its future in competition

By Andrew Jack

Opposition is building to the

planned electronic trading link

connecting Matif, the French

financial futures exchange, to

the Deutsche Terminborse, its

equivalent in Frankfurt, it

An American market trader

on Matif in Paris has circu-

lated a petition among his col-

leagues calling for the

exchange to stop two of its

most important products being offered through the German

emerged yesterday.

in Paris

exchange.

with the London exchange. The action comes ahead of a decision, due by the end of next month, by Matif to select two products to be offered to the DTB via electronic trading. The move is part of an agreement signed in December 1993 which has already led to trading in Paris of two German

Matif is consulting its members on which products to select, ahead of a formal

announcement at the end of March. One is almost certain to be the Ecu contract and the other, either the CAC-40 or the Pibor. The medium-term franc contract was also considered. but has not proved popular and

ses sinks to

1 - 4 4

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and there

is unlikely to be offered. Mr Morse has circulated a formal petition among member firms suggesting that the move to electronic trading will make it easier for traders to by-pass Paris and trade in other centres - notably in London.

"Offering the CAC-40 or Pibor in Frankfurt would be the beginning of the end of Paris as a financial centre, said Mr Morse. "If we want to keep a market in Paris, we have to keep it localised and open-outcry. Electronic trading will destroy any competitive

position." However, Matif said it was contractually tied to offering two products. It argued that screen-based trading links with different European markets would increasa the overall level of volume, and offered traders in Paris the chance of greater reciprocal access to other products elsewhere.

It also stressed that it was far from certain whether ultimately it would be possible for trading screens offering French products to be placed in the London market.

#### S African loan increased

The \$75m syndicated loan for First National Bank of increased to \$200m after being oversubscribed 2.8 times. Pricing is expected to set a benchmark for other Sonth

African borrowers in the international credits market. The revolving credit carries a margin of 55 basis points over Libor, plus maximum par-

points for an amount of \$10m. There is a commitment fee of 20 basis points. It is believed to be the first public syndicated loan for South Africa to be structured without recourse to trade receivables.

The loan was arranged by Futi Bank, and 40 other international banks joined the deal: 18 Asian, 21 European, five Middle Eastern and the Republic National Bank of New York. Henry Ansbacher advised First

Feb 15 Feb 14

195.3 112.8

See that

157.1 124.5

#### Depfa Bank raises DM1bn through five-year offering strong but international inter-

Dollar bond issuance largely stayed on hold in the euroman kets yesterday, partly due to the lack of opportunities for borrowers to swap liabilities. Attention moved to other currencies, with the D-Mark

and sterling areas busy. The biggest deal was the five-year DM1hn for Depfa Bank, which used Commerzbank for the fourth consecutive time to bring a deal. Commerzhank was joiot bookrunner with WestLB and each bank was believed to have sold around DM100m of the boods. Commerzhank expects all the bonds to go before the first coupon date in

four weeks. Mr Frank Reuhland, Depfa's treasurer, said demand came from French and UK institutions, and from retail investors

in the Benelux region. He said domestic interest in the D-Mark market was not pon than the Depfa deal, and

WORLD BOND PRICES

**BENCHMARK GOVERNMENT BONDS** 

8.63 97 & 8.85 107 & 4 8.85 107 & 4 8.82 117 | 1 8.83 105 | 2 4 8.74 01 & 8.79 05 & 4 8.75 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97 11 | 1 8.97

est had grown, partly due to emerging market troubles which have given the D-Mark a

'safe haven" status. The bonds carry a coupon of 7% per cent, and Mr Reuhland said part of the funds were swapped, which gave the bank

#### INTERNATIONAL **BONDS**

overall funding from the deal of "helow Lihor". The hoods came at 28 basis points over the comparable five-year bond. and were steady around that

when freed to trade. Caisse des Dépòts chalked up a first when it lead-managed its first D-Mark deal, a carrying a 7 per cent coupon for Crédit Local de France. CDC was joint bookrunner, with WestLB.

The deal offered a lower cou-

ever. Crédit Local is rated AAA, whereas Depfa is Aa3. CDC was awarded the mandate yesterday and had a series of large pre-orders from UK and French investors attracted by the rating. It brought the deal at 20 basis points over the comparable five-year bond because similar deals for KfW and L.Bank ware trading around 17 or 18 over. "A spread tighter than 20 would have

beeo dangerous," it said. Investors in the sterling sector were offered two long-dated deals, each for £100m. The Bank of Ireland brought a 10-year deal with a 9% per cent coupon via BZW, which said it was oversubscribed within an hour of launch.

A Bank of Ireland official said the funds would be used to maintain capital adequacy ratios affected by both a small US acquisition and the amortisation of subordinated debt. The bank's year-end is March

Italy

31. Under Bank for International Settlements rules, when a subordinated issue is within five years of its final maturity. the amount qualifying as capital is reduced by 20 per cent

each year to maturity.

De Beers Centenary Finance, which includes all the non-South African interests of the De Beers Group, brought a rare 25-year deal which also had a 9% per cent coupon. Book-runner Hambros said

the deal augmented a £150m 15-year bond brought in February, which came at 165 over the gilt and tightened in to 150. Some investors in that bond were looking to buy longerdated paper, and De Beers was looking to raise a total of

May 2005 2.00 May 2003 2.00 Dec 1998 1.76

102.50 102.50 102.15

The yield curve on gilts fell by 13 basis points between the 15-year and 25-year area, and Hambros wanted to put a yield

brought the deal at 165 over Syndicate was broken over night in Tokyo on the Kingdom of Spain's Y150hn 10-year bond brought on Monday by IBJ. The bonds were brought

flat to the previous issue, so it

at a spread of 13 basis points over the No 177 Japanese gov-ernment bond and held that level when freed to trade. IBJ said further sales were made in

BGL/ Kredetbank Lux. BGL/ Kredetbank Lux. ABN Amro Lux/Parties Lux.

FT-ACTUARIES	FIXED	INTERE	T IND	CES											
Price Indices UK Gitte	Tue Feb 21	Day's change %	Mon Feb 20	Accrued Interest	aci acij. ytd					- Media: Feb 21					
1 Up to 6 years (23)	118.10	-0.07	118.84	1.04	2.53	5 yrs	8.67	8.62	8.20	8.70	8.65	6.42	8.86	8.81	6,5
2 5-15 years (22)	138.85	-0.24	739.00	1.86	2.06	15 yrs	8.59	8.55	6.93	8.71	8.66	7.05	8.91	8.87	7,2
3 Over 15 years (8)	153.18	-0.36	153.72	0.37	4.05	20 yrs	8.55	8.60	7,04	6.71	8,88	7.05	8.82	6,78	7.2
4 Irredeemebles (6)	177.23	-0.87	178.43	3.82	0.00	bruck†	8.60	8.54	7,13						
8 All stocics (80)	135,34	-021	135.80	1,36	2.55										
									on 5%				n 10% ~		
Index-Britad							Feb	21 Fet	20 Yr.	BQC	Feb	21 Feb	20 Yr.	ego	
8 Up to 5 years (2)	188.57	-0.01	188.58	0.66	1.45	Up to 5 year	3	.77 3	75 2	.25	2.	38 2	.35 1	,33	
7 Over 5 years (11)	173.77	-0.13	173.99	0.70	0.80	Over 5 yes	3	90 3	.89 3	L17	3.	70 3	.69 2	.90	
8 All stocks (13)	174.40	~0.11	174,80	0.89	0.86										
Average gross recemptions					-	SC. Tracec: Landy	11% mad	-							

	Over 5 years (11) All stocks (13)		1.77 1.40	-0.11		173.99	0.70	0.80	Over	5 yrs	3.1	90	3.80	3.17		3.70	3.6
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6.63 30-year 7.06 7.20 7.33 7.43 7.60 Est. vol. Open int. 132,292 148,222 9,206 16,984 2 3,748 Open Sett price Change 61.86 61.70 -0.36 81.50 -0.36 High 81.86 Low 81.68 148,222 16,964 3,748 Est. vol. Open int. E LONG TERM FRENCH BOND OPTIONS (MATIF) Jun 1.43 1.95 # US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100% Latest 102-14 101-30 101-19 High 102-18 102-01 101-20 Low Est. vol. Open Int. 102-11 521,128 325,296 101-27 19,222 56,881 101-15 1,667 6,432 -0-03 -0-03 -0-06 (UFFE) Y100m 100ths of 100% Est. vol Open Int. 113062 199125 14931 23767 UK GILTS PRICES 8.10 8.82 1042 7.74 8.72 874 8.87 8.70 995 8.07 8.70 1043 10.37 9.99 1265 8.32 8.71 935 8.45 8.75 945 10.22 9.07 1145 8.63 8.70 995 10.61 9.9177,5m 8.78 8.88 1023 8.48 8.67 943,56 Over Filtness Years
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Treas 51-pc 2010-12‡†
Treas 8 2013††
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Treas 2012-15‡†
Treas 8 2017-15‡†
Treas 8 2017-15‡ 7.79 8.56 98.5 8.73 8.65 103.5 8.71 8.53 103.5 7.47 8.40 73.5 8.45 8.58 94.5 8.43 8.53 94.5 8.41 8.59 92.5 8.58 8.55 107.5 9.29 8.79 129.7 -1 98/2 -1 126/2 -1 127/3 -1 117/3 -1 117/3 -1 114/4 -1 128/4 -1 159/2

Asian Dev 10<sup>1</sup>4pc 2009

A Brism 11<sup>1</sup>4pc 2012

Instant Cap B<sup>2</sup>4pc 10

Spc Cap 1996

13pc 37-2

Hydro Dasher: 15pc 2011

Lends 13<sup>1</sup>5pc 2006

Liverpool 3<sup>1</sup>5pc 10<sup>1</sup>1

Maccheller 11<sup>1</sup>5pc 2007

Med. Wr. 3pc 17

Avento Angle 3<sup>2</sup>5pc 3221

4<sup>1</sup>4pc IL 2024

Led link: Suber 18<sup>1</sup>5pc 2008

#### **CURRENCIES AND MONEY**

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### Lira sinks toward L1,100 level against D-Mark

Inflation worries and trend of recent days - general doubts as to whether the new continuing concern about the ised D-Mark strength - government, under Mr Lamgovernment's ability to deliver economic reform yesterday drove the lira to a record low against the D-Mark, writes

Philip Gawith. The lira fell to L1,098.25 before Bank of Italy intervention helped it recover to a London close of L1,092. The Bank of Italy later raised its discount rate by 75 basis points to 8.25

Renewed concern about the presidential succession in France also pushed the franc to a 15 month low. It closed at FFr3.484, from FFr3.48, after touching a low of FF13.4872.

fillip from the announcement that agreement had been reached on conditions for the \$20bn US aid programme for Maxico: It closed slightly firmer at DM1.4796, from the yen, to close at Y97.425 from Y96.925.

But the dominant market

remained intact

The peso, however, benefited from the aid announcement, finishing at 5.405 pesos, from 5.65 pesos, against the dollar. In South Africa heightened speculation about the merging

of the country's two currencies saw the commercial/financial rand discount shrink to a historic low of 6.4 per cent, before profit-taking drove it back to a close of 7.2 per cent. The finrand closed at R3.885, and the commercial rand at R3.5603.

The sell-off in the lira was prompted by a higher than expected Italian inflation figure for February. But politics remains the main concern. Recent developments have left

Feb 21 --- steet---1.5820 · 1.5814 1.5801 1.5702 berto Dini, will be able to mus-ter sufficient political support to tackle difficult issues like the size of state spending, and pensions reform.

In France the specific factor behind the weakness of the franc was the ever-improving performance in the opinion polls of Mr Lionel Jospin, the socialist candidate. He has made large inroads into the lead established by Mr Edouard Balladur, the prime minister and candidate of the

Mr Michael Burke, international economist at Citibank in London, commented: "Mr Balladur is regarded as franc fort's best friend, and anything that looks like disturbing that is an excuse to sell the franc."

■ The outlook for the dollar remains bearish. Traders report that the general direcpositions on the dollar is to set

tone about inflation, though what direction this will give Ageing the D-Mark (ire per DM) the dollar is unclear. Mr Greenspan's task will

have been complicated by recent comments from his dep-uty, Mr Alan Blinder. He played on market fears that Fed monetary policy has been too lax by saying he thought it was close to achieving success in its fight against inflation. He also said the central bank should, when necessary, loosen policy to avoid recession.

■ Both the tone and content of

comments from Mr Chris Stals, governor of the South African up "short" positions (betting erve Bank, convinced the on a further fall). Trade at the moment is dommarket that the finrand is likely to scrapped around the time of the budget, on March inated by short-term operators, with longer-term investors on the sidelines.

Mr Christopher Tinker, chief economist at Standard Chartered in London, said the authorities appeared to be giv-ing the markets a clear signal to take the process forward. He warned that if the authorities

will get very worried about will to do what they have been committed to all along."

Concern was expressed in some quarters that market expectations were running some way in front of political debate, both within the cabinet and the ANC, the largest politi-

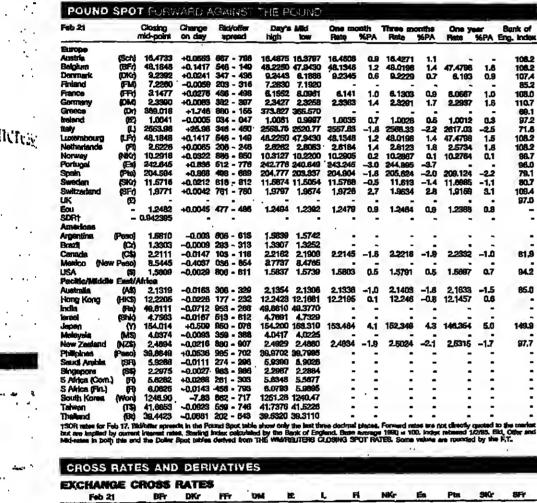
cleared a £550m money market shortage at established rates. per cent. The pound finished firmer against the D-Mark, at ended slightly lower against the dollar, at \$1.5809, from

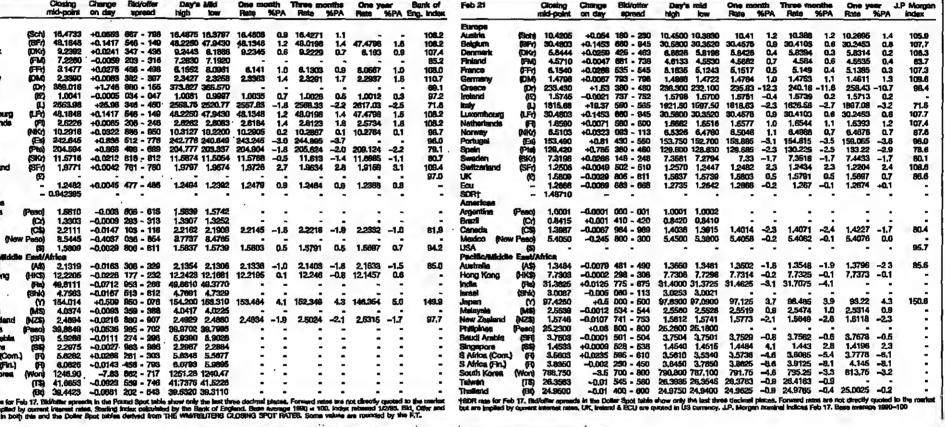
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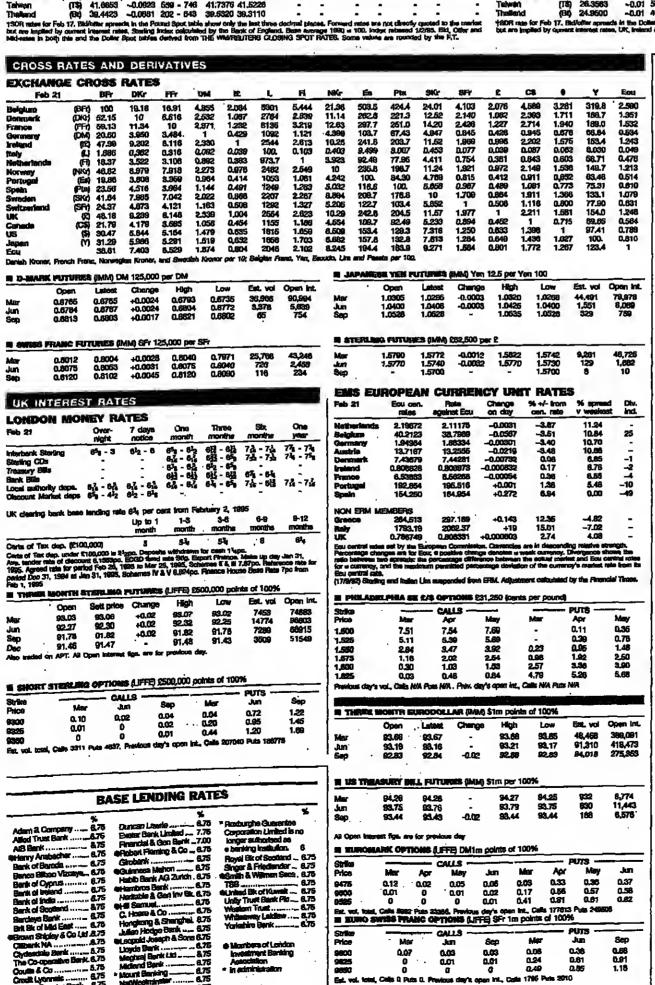
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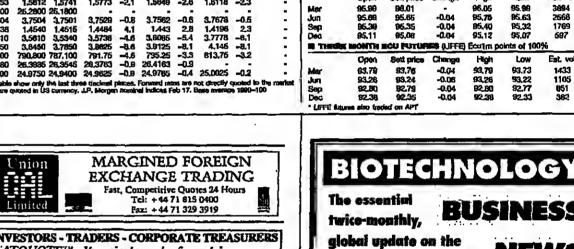
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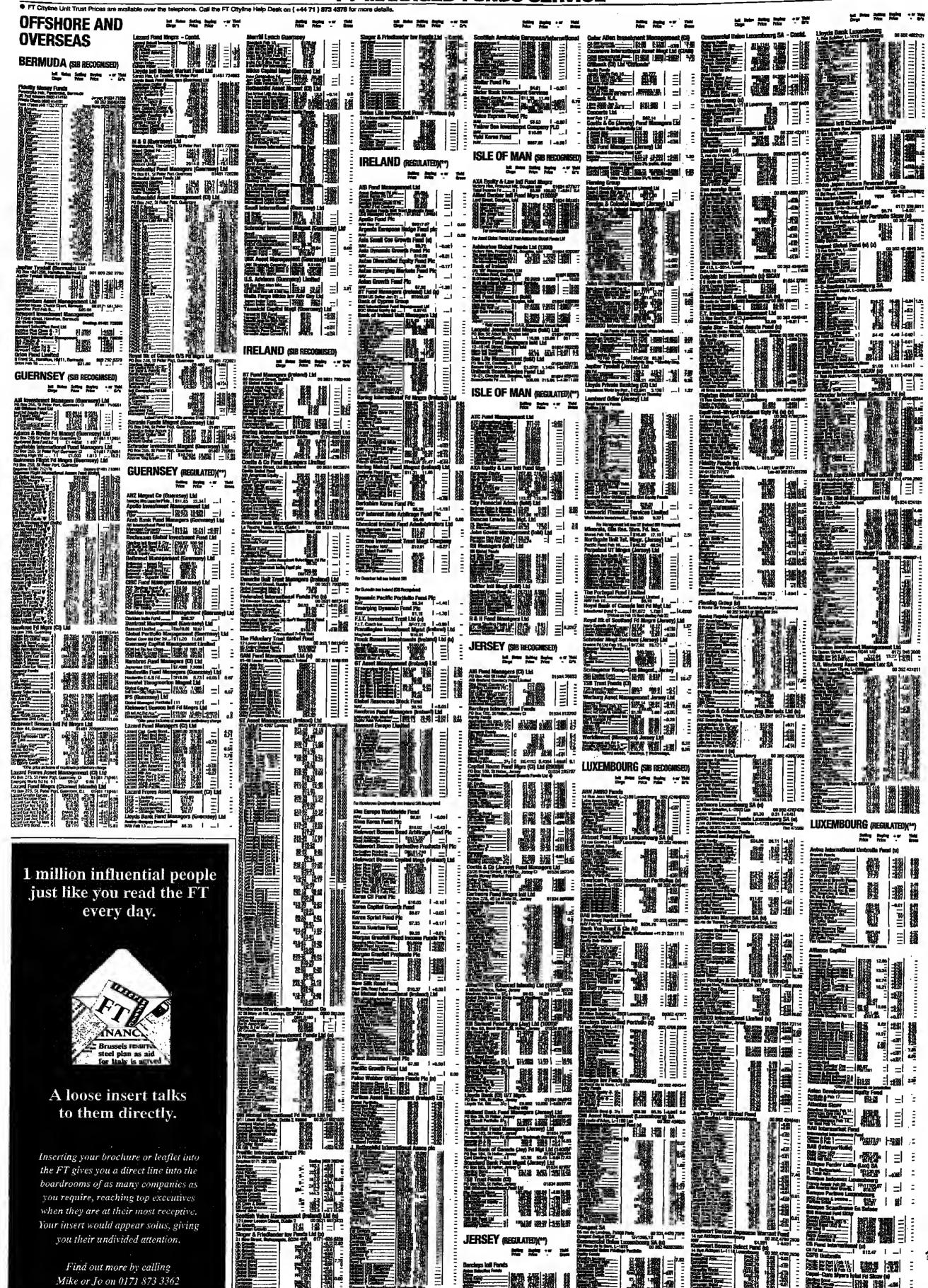
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FINANCIAL TIMES WEDNESDAY FEBRUARY 22 1995 **LONDON SHARE SERVICE** RETAILERS, GENERAL - Cont. TRANSPORT - Cont. OIL EXPLORATION & PRODUCTION latilio

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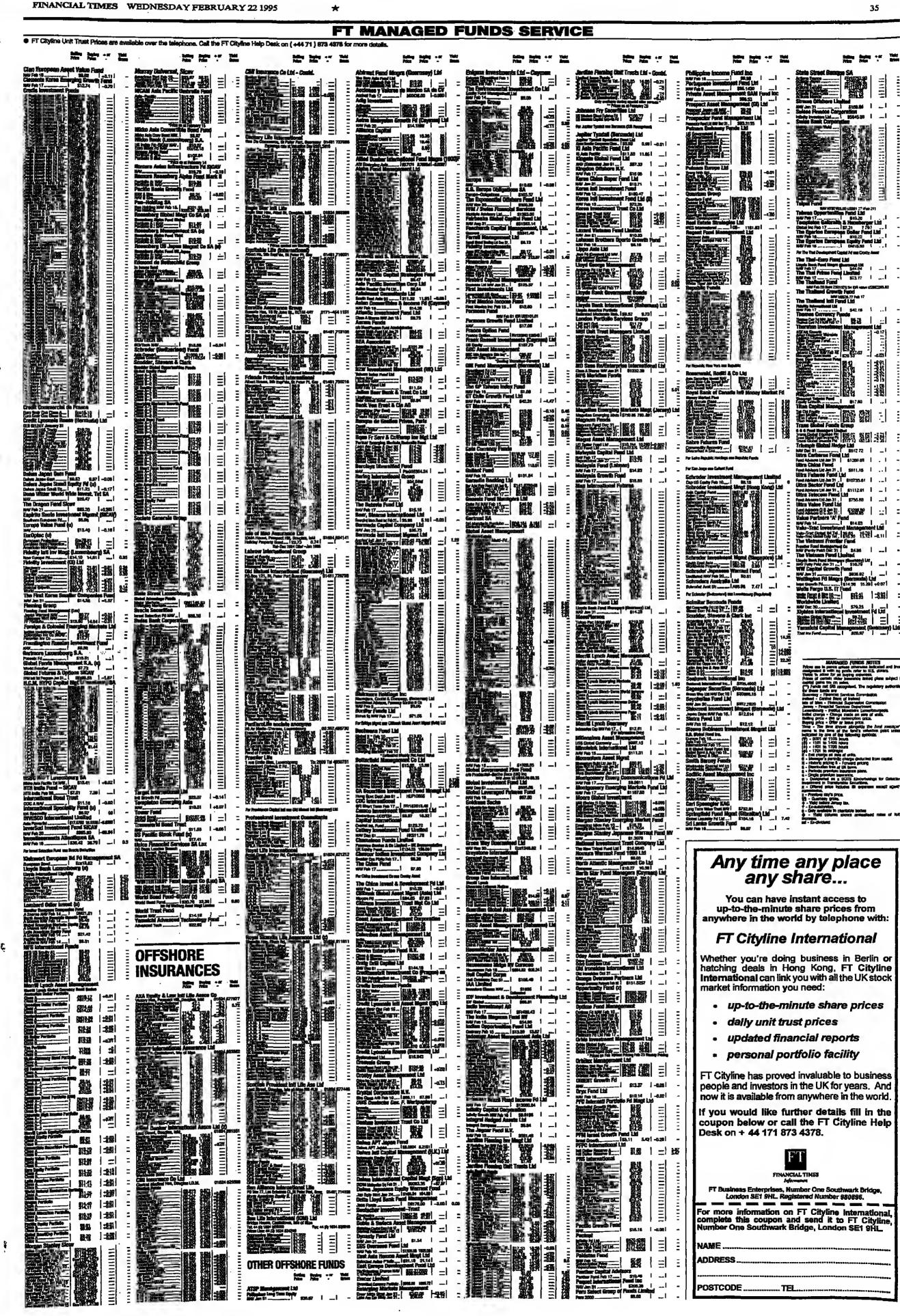
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#### LONDON STOCK EXCHANGE

### Little progress in thinly traded equity sectors

By Terry Byland, UK Stock Market Editor

UK etocks remained mesmerised yesterday by currency and political uncertainties, granting only the most cautious reception to the opening of the corporate reporting season. An attempt to rally towards the close was checked as the Dow Industrial Average stalled and bond markets shied away ahead of today's appearance before the US Senate banking committee of Mr Alan Greenspan, chairman of the Federal Reserve Board.

The final reading of 3.023.4 on the FT-SE 100-share index showed a ness was worth £1.1hn in the previ-

4.8. Earlier, the index had dipped to 3,012.6 as the D-Mark's continued strength hurt sterling. Background political worries in the UK focused around expected publication of the framework proposals on Northern Ireland by the British and Irish governments; this could provoke reaction from the Ulster Unionist Members of Parliament.

Traders and analysts agreed that yesterday's session had demonstrated a lack of conviction hy investors. Seaq volume of 424.8m shares was little changed from Monday's equally unimpressive trading session; retail, or customer, busislight improvement on the day of our session but, as so often in Dow Industrial Average had

recent months, was focused fairly tightly around special situations. The FT-SE Mid 250 index slipped 1.7 to 3,414.4, reflecting the level of neglect among second line stocks

rather than any significant investment trend. A trading programme just before midsession favoured the Mid 250 stocks but was believed to be a mixture of buys and sells. A slack futures market took the initiative away from the Footsie blue

The announcement that the US had signed with Mexico the proposed \$20bn rescue plan brought brief optimism in mid-afternoon, but by the time London closed the trimmed its early gain to 7 points. The stock market ended the day on a flat note as fund managers waited to see if Mr Greenspan will make significant comment today on the weakness of the US currency.

Bid speculation also played a less active role in the market yesterday, although traders maintained that there would be further moves, perhaps among the regional electricity companies, as soon as the stock market recovered its poise.

The 1994 company profits report-ing season made a disappointing start, from the point of view of share prices at least. Neither Unilever nor National Westminster Bank could make progress, in spite

are increasing and that

National Power, because of its

size, is more at risk than

Unilever, the food, deter-

gents and personal products

group, recovered from an ear-tier slide to close unchanged at

1173p, in trade of 2.1m, after

the group reported full-year figures that fell below market

However, a closer reading of the figures led to a realisation

that they contained an excep-

tional charge relating to the unsuccessful launch of the

nower range of detergents in

some countries. This helped

dealers shake off earlier wor-

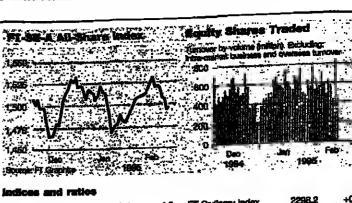
ries and several brokers

1 per cent.

expectations.

of good profits and dividend news in both cases. The stock market was more interested in the statements on the business outlook than in the profits figures. However, there was a better performance from Guardian Royal Exchange shares on the

announcement of higher profits. The stock market is expected to hold fire today until it knows the outcome of the £2bn auction of 10year benchmark UK government bonds. In the current mood of the markets, commitment of funds on this scale is likely to keep fund managers preoccupied and less willing to take up new positions in equities until the outlook becomes more clear.



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#### Support grows for RTZ

Shares in RTZ, the world's biggest mining group, moved ahead 9 to 730p as two leading securities houses voiced their support ahead of figures due in early March.

They were responding to recent weakness in the stock as well as to the relative firmness in the copper price, which generates a large chunk of RTZ's operating profits. Copper's price per pound cur-rently stands about 10 cents higher than the market had anticipated.

Hoare Govett reiterated its buy stance on the stock, arguing that: "In respect of the fun-damentals on pricing, supply and demand, and world stocks, the share price performance since late September is grossly

overdone. Meanwhile, Nomura Securities moved from a sell to a hold, pointing out that the stock had underperformed the broad market by 10 per cent over the past six weeks

Nomura forecasts net income of £546m when RTZ reports on March 8. Forecaste range between £525m and £580m.

#### Northern hopes

In a generally mixed regional electricity sector, Northern Electric drifted back to close 3 off at 1117p in relatively light trading in spite of late rumours that Trafalgar House was set to launch an increased offer

this morning, or tomorrow. Under the terms of the takeover code Trafalgar House has until Friday to increase its offer. Dealers said Trafalgar would want any increased offer to be in the market before its scheduled meeting with share-holders on Thursday.

One suggestion doing the rounds of the dealing desks was that Trafalgar would increase the value of its offer to a "knock out" £13 a share. via e straight share exchange. At the same time it would, so the stories went, sweeten the value of its cash alternative. Trafalgar House shares held at 66p after turnover of 2.3m. Smith New Court was the

driving force behind a firm sector, with the broker taking the view that water shares will outpace the recs over the next five years. North West Water gained 10 at 512p.

#### NatWest easier

Preliminary profits at the top end of market estimates and a better than expected 17 per cent increase in the dividend failed to sustain National Westminster Bank shares, which dipped 10 to 483p, leaving them the third worst performer yesterday in the FT-SE 100 Index. Turnover in Nat-West reached 11m shares, its third highest in a single trading session since last August.

Dealers said that the market was initially disturbed by the bank's costs-to-income ratio and then unsettled by what some specialists described as a downbeat meet ing with analysts. Lloyds Bank was a benefi

ciary of the selling pressure in NatWest, with some institu-

tions switching into Lloyds as latory risks to the generators the more efficient of the two banks. Lloyds shares rose 8 to

564p on turnover of 5.4m. Guardian Royal Exchange moved up 4 to 177p amid good volume of 3.3m after impres-

sive preliminary results. PowerGen, the smaller of the two English generators in which the government is sell-ing its remaining 40 per cent holdings, easily ontpaced its larger colleague, National Power, after a buy recommendation published by Nomura,

the Japanese stockbroker. Mr Philip Green, utilities specialist at Nomura, said he based his buy argument on PowerGen and a hold recommendation on National Power on his estimates that Power-Gen can produce dividend growth of around 20 per cent during the next four years, compared with 15 per cent growth at National Power.

Mr Green warned that reguupgraded profits expectations.

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15	Yr ago	High	"Low
Ordinary Share	2298.2	2297.0	2915.0	2922.8	2834.1	2576.5	2713.6	2238.3
Ord. div, yield	4.63	4,61	4.65	4.55	4.53	3.67	4.66	3.43
Earn, yld. % full	7.04	6.98	6.92	8.79	6.78	3.89	7.84	3.82
P/E ratio net	15.79	16.95	17.10	17.40	17.48	32.7	33.43	18.79
P/E ratio nil	10.00	16.16	16.29	16.57	16.65	30,14	30,80	10.00
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#### Recommended Offer by **Baring Brothers & Co., Limited** on behalf of MISYS plc for

Baring Brothers & Co., Limited ("Barings") announces on behalf of Misys plc ("Misys") that, by means of this advertisement and a formal offer document dated and despatched on 21st February, 1995 (the "Offer Document"), Barings is making an offer (the "Offer") on behalf of Misys to acquire all the ordinary shares of 10p each ("ACT Shares") in ACT Group plc ("ACT"), which Misys does not already own.

A person who accepts the Offer will receive 300p in cash plus 2.2 new ordinary shares of 5p each in Misys ("New

**ACT Group plc** 

Misys Ordinary Shares") for every 10 ACT Shares. On the bases set out in the Offer Document, the Offer currently values each ACT Share at approximately 107p and the entire issued ordinary share capital of ACT at approximately £189 million. The New Misys Ordinary Shares will rank pari passu in all respects with existing Misys ordinary shares, save that they will not rank for the interim dividend payable in respect of the financial year ending 31et May, 1995. Application has been made to the London Stock Exchange for the New Misys Ordinary Shares to be admitted to the Official List ACT shareholders who validly accept the Offer may elect for different proportions of cash and New Misys Ordinary

Shares (the "Mix and Match Election"). The ability to satisfy such elections will depend on other accepting ACT shareholders making offsetting elections. The Mix and Match Election will remain open until 3.00 pm on the fourteenth day after the later of the first closing date of the Offer and the date on which the Offer becomes or is declared unconditional as to acceptances, at which time it will be closed or extended. If the Mix and Match Election has been closed the right is reserved to reintroduce a mix and match election, subject to the rules of The City Code on Takeovers and Mergers.

The full terms and conditions of the Offer and the Mix and Match Election referred to above (including details of how the Offer may be accepted) are set out in the Offer Document. This advertisement alone does not constitute and must not be construed as an offer. ACT shareholders who accept the Offer may only rely on the Offer Document and the documents that accompany it for all the terms and conditions of the Offer (including the Mix and Match Election).

The Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched, who hold or who are entitled to have allotted to them ACT Shares. Such persons are informed that copies of the Offer Document, the listing particulars relating to the New Misys Ordinary Shares (which should be read in conjunction therewith) and forms of acceptance are available for collection from the receiving agent, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

The Offer, which is made by means of the Offer Document and this advertisement, will initially be open for acceptance until 3.00 pm on 14th March, 1995.

The Offer is not being made, directly or indirectly, in or into the United States, Canada or Australia, or by use of the mails of the United States, Canada or Australia, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the United States and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada or Australia.

This advertisement is not being published or otherwise distributed or sent in, into or from the United States, Canada or Australia and persons reading this advertisement (including custodians, trustees and nominees) must not distribute or send this advertisement, the Offer Document, the form of acceptance or the listing particulars (nor any related document(s)) in, into or from the United States, Canada or Australia, nor use the United States, Canadian or Australian mails or any such means or instrumentality for any purpose, directly or indirectly, in connection with the Offer and doing so may invalidate any related purported acceptance of the Offer.

This advertisement is published on behalf of Misys and has been approved by Barings, a member of The Securities and Futures Authority, solely for the purposes of Section 57 of the Financial Services Act 1986.

The directors of Misys accept responsibility for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

21st February, 1995

They included Strauss Turnbull, which increased its current year forecast by £17m to £2.647bn.

PowerGen was the second Reckitt & Colman fell 9 to best performer in the FT-SE 100 list, closing 12 higher at 515p, up 2.4 per cent. National 630p, depressed by a large block of stock going through the market at 625p.
Insurance and tobacco con-glomerate BAT Industries Power was 5 firmer at 486p, up

receded a further 6 to 416p on US litigation concerns and recent sell recommendations. Yorkshire Chemicals disappointed the market with Its full-year figures and statement and the shares ended 9 cheaper

British Steel turned in the best performance among Footsie shares, boosted by speculation over the next round of steel price rises in Europe. Both UBS and S.G. Warburg have recently put out positive notes. The shares added more than 3 per cent, rising 4% to 157%p in 8.3m turnover to comfortably outperform the market as a whole over the past

Paper and packaging group Bowater gained 7% at 406p as BZW reiterated its positive stance in light of an aggressive statement and well received figures from rival Low & Bonar

Mr Tim Rothwell of BZW commented: "People are revisiting the whole sector again. and we are optimistic that our top of the range forecast for Bowater will be met when it reports on March 21." Diversified industrial Tom-

kins celebrated its arrival on the Wall Street Big Board with a 4 rise to 230p in 4m turnover. The group's ADRs began trading in New York and a number of houses reiterated positive assessments. Nomura Securities pointed to the potential for wider investment appeal given that a bare one per cent of Tomkins is owned by US investors. At the other extreme, Hanson - unchanged at 235%p in 4.8m turnover - is

some 20 per cent US owned. Vodafone, the cellular tele phones group, edged up 2 to 184%p after S.G. Warburg shifted the stock to a buy from a hold. Vodafone shares have been buffeted recently by the profits warning triggered, iron-ically, by a surge in new subscribers benefiting from hand-

set subsidies. Shares in Airtours, the tour operator, were hit by sugges-tions that the group was about to return to the ecquisition trail. The stock fell 16 to 420p. Sentiment was further weak-ened by reports of sluggish demand for summer package holidays and greater competi-

tion among tour operators. CentreGold, the computer and video games company, plunged 37 to 60p after it warned of a likely loss of £3.6m for the six months to January

Luxury products group Ven-dome fell 20 to 426p after Hoare Govett downgraded its recommendation on the stock from undervalued to hold and also cut profits estimates. Volume stood at 2.1m at the close.

FUTURES AND OPTIONS Ореп

■ FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point High Low Sett price Change 11159 177 30 3015.0 3027.0 3019.0 3035.0 3037.0 3068.0 +15.0 +15.0 3040.0 IN FT-SE MID 250 BEDEX PUTURES (LIFFE) \$10 per full index point 3420.0 3420.0 3441.0 3441.0 M FT-9E 100 MUNEX OPTION (LIFFE) (2025) 210 per full index point

Calls 2,945 Pals 7,247 ■ EURO STYLE FT-SE 100 INDEX OPTION (LIFTE) \$10 per full index point

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MARKET REPORTERS: Steve Thompso Jeffrey Brown.

LONDON RECENT ISSUES: EQUITIES price paid cap 1994/95 p up (Em.) High Low Stock Not Div. Gre P/E div. cov. yid net 17.1 1314, 13 Beth Prese
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FT GOLD MINES INDEX Feb. % chig Feb. Feb. Year Grone aller 52 week 20 on day 17 10 ogs yield % High Low Gold Mines Index (8Qt 1797.42 +1.2 1717.50 1706.20 2076.54 M Regional Indices Adrice (16) Australistic (7) Morth America (11) 2701.47 +2.1 2846.38 2858.28 2898.25 5.16 3711.87 2304.46 1844.41 +0.7 1831.05 1864.38 2898.94 0.89 2951.49 1786.20 1438.06 +0.7 1428.87 1403.39 1746.16 0.78 1911.21 1346.16 Copyright, The Pinencial Tures United 1996.
Figures in brackets show turnion of companies. Seek US Dollars, Sees Values 1000.00 31/12/2
Prodocessor Gold Miles Index Feb 21 2017; day's change: +1.4 Year apo; 208.2 † Partiel, Mariest eleved 20/2/98; USA. Lubest prices were ensemblish for this edition.

FI - SE Actuaries S	male in	G.Ces	5	-					me .	in o	eries
	Feb 21	Day's chge%	Feb 20	Feb 17	Feb 16	Year	Div. yleid%	Earn. yleki76	P/E	Xd adj ytd	Total Return
FT-SE 100	3023.4	+0.2			3051.1	3333.7		7.49	15,79	11.83	1158.7
T-SE Mid 250	3414.4		3418.1		3438.7		3.79	6.48	18.41		1290.0
T-SE Mid 250 ex Inv Truets	3425.2					3963.6	3.88	7.00	17.16		1292.2
T-SE-A 350	1512.1	+0.1		1522.5			4.21	7.26	16.32		1185.7
T-SE-A 350 Higher Yield	1540,3			1562.8			5.23	7.63	15.88		994.09
T-SE-A 360 Lower Yield	1483.7					1646.8	3.16	6.89	17.02		980.01
T-SE SmallCep	1709.64		1711.59				3.40	5.90	21,24		1339.9
T-SE SmallCap ex Inv Trusto T-SE-A ALL-SHARE	1688.24 1496.00		1690.29 1494.58				3.60 4.14	6.58 7.16	19.31 16.62		1327.7
FT-SE Actuaries All-											
	Feb 21	Day's chge%	Feb 20	Feb 17	Feb 16	Yeur Yeur	Div. yloki%	Earn. ykald96	P/E ratio	Xd #dj. ytd	Total Hotum
10 MINERAL EXTRACTION(24)	2647.85	+0.1	2644,28	2655.48	2648.21	2572.89	3.65	8.19	20.38	8.68	1072.49
12 Extractive Industries(7)	3373.03		3340.96				3.50	5.77	21,48	0.00	990.76
18 Oil, integrated(3)	2667.00	-	2668.11				8.79	7.08	17.78	11.39	1106.07
16 Oil Exploration & Prod(14)	1920.68	+0.3	1915.48				2.54	. #		0.00	1111.2
20 GEN INDUSTRIALS(278)	1796.51	+0.1	1794,09	1804.59	1911.81	2162.71	4.35	6.08	16,59	4,38	926.31
21 Building e Construction(38)	925.17	-				1532.45	4.21	6.90	18.84	0.81	731.11
22 Building Matte & Merchs(31)	1698.98	+0.5	1690.41				4.50	8.54	18.47	0.20	808.68
23 Chemiculs(23)	2160.1e	-0.5	2171,41	2187.68	2195.67	2383.22	4.38	5.47	22.25	0.59	965,42
24 Diversified Industrials(17)	1770.27		1768.85				5.27	8.70	17.16	12.90	923.27
25 Electronic & Elect Equip(36)	1894,48		1882.78				4.01	6.77	17.54	2.50	937.38
26 Engineering(72)	1761.56		1731.63				3.49	4.72	20.55	2.87	969.78
27 Engineering, Vehicles(13)	2070.84		2079.78				4.88	1.67	80.001	0.16	1013.80
28 Paper, Policy & Printing(27)	2733.53		2714.78				3.30	5.93	19.47	0.17	1082,25
28 Textiles & Apperel(21)	1462_52		1461.68		_		4,83	6.70	19.39	1,88	838,41
30 CONSUMER GOODS(95)	2806.35		2808.59				4.39	7.32	18.95	17.58	961.84
31 Brawerico(18)	2150.07		2143.78				4.46	8.56		10.49	964.36
32 Spirits, Wines e Cidere(10)	2506.01 2361.69		2485.12 2346.46				4.54	7.84	15.06 15.86	26.30 14.57	1006.84
33 Food Producura(24) 34 Household Goods(10)	2487,32		2518.75				3.58	8.72	17.91	0.45	901.25
36 Health Care(18)	1679.88		1583.99				3.10	3.51	59.47	0.58	922.97
87 Pharmecouticals(13)	3464.48		3400.64				4.07	6.25	18.51	25.70	1119.49
38 Tobecco(2)	3488.1e		3537.99				6.10	10.44	10.45	0.00	795,68
40 SERVICES(231)	1822.43	-0.1	1824.12	1838.59	1845.94	2115.01	3,46	7.22	16.71	4.90 -	905,61
41 Distributors(32)	2242.44		2244.28				4.17	8.07	14.06	1.53	784.07
42 Lelaure & Hotels(29)	2000.00		2074,48				3.49	5.95	20.08	9,67	1028.26
49 Media(43)	2693.62		2684,76				2.71	5.94	18.73		638.60
44 Retallers, Food(16) 45 Retailers, General(45)	1755.38 1494,49		1750.70 <sup>1</sup>				3.75 3.58	9.13 7.79	15.43	2.54 7.68	1000.88
46 Support Sendces(36)	1441,42	-0.1	1442.71	1480.43	1487.41	1774.29	2.02	6.69	17.61	1.08	817.44
49 Transport(21)	2153.17		2149.22				3.96	7.08	18.75	3.32	851.74
51 Other Services @ Business(7)	1193.18		1195.1e				3.76	4.05	29.02	5.42	1039.84
00 UTILITIES(37)	2366.79		2357.34				4,59	7.57	16.09	6.69	932.53
52 Electricity(17)	2488.44		2486.77				4.09	10.10		19.89	1088.22
84 Gas Distribution(2)	2018.40		2035.14				5.93		#	0.00	945,49
QQ Telecompunications(5) 68 Water(13)	1958.96 1739.29		1946.94 1 1727.50 1				4.17 5.78	3.96 13.60	17.76 7.91	0.1e 4.62	850.68 88.888
89 NON-FINANCIALS(885)	1618.81		617.30				4,11	8,91	17.36	5.80	1180.35
70 FINANCIALB(118	-2117.86	+0.1 :	2114,88	133.23	2138.08	2535.63	4.70	9.58	12.12	8.25	848,87
71 Burska, Retail(9)	2771.28	+0.2	2788.58 2	2794.48	2804.76	3328.66	4,57	10.68		18.56	840.10
72 Banks, Merchers(4)	3061.46		9009.04				3.70	8.97	13.02	0.00	829.63
78 Insurance(27)	1185.38		1182.56				5.84 -	5.77	18.42	0.81	820.20
74 Life Assurance(5)	2340.24 1844.35	0.4	2339,47	6507.32 2	6067.63	2031.70	5.46	7.98	15.32	0.00	905.78
77 Other Financial(28) 79 Property(46)	1372.75		852.56 1 1367.03 1				4.39	8.08 7.78	14.64	2,11	997.50
				_			_		16.11	1.14	797,18
OU INVESTMENT TRUSTS(135)	2594.55	-0.1 2	2596.15 2	و الحاليات	2508.42	<u> </u>	2.42	2.07	48.27	8.80	878.91

89 FT-96-A ALL-SHARE(917)

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No FT, no comment.

Stocks Traded 9.6m 7.2m 4.5m 4.1m 3.9m

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NEW YORK STOCK EXCHANGE COMPOSITE

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计算条件 人名英格兰 医二种病毒

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Atl SEAU Autrisk Astrinto Avondalo	0.34 12 1618 0.24 27 3058 14 685		20 +1 <sub>2</sub> 51 <sub>2</sub> -3 <sub>8</sub> 31 <sub>2</sub>	Fifty Off Figgle A Filenet First Am FatScOble Fet Secty Fet Temp	1.00 6 1.00 10 1.12 8	490 u32 <sup>3</sup> 498 23 <sup>3</sup> 493 2	4 8 <sup>3</sup> 2 32 32 <sup>3</sup> 8 4 32 <sup>3</sup> 8	81 <sub>2</sub> 321 <sub>4</sub> 321 <sub>6</sub> 231 <sub>6</sub> 25	いまずのかます	Mastec Mexico for Maxter Cp McGrath 8 McCorreic Medex Inc	0.44 10 0.52 25 0.76 14	1 545 210954 0 2100 3 1545 4 77	33 <sup>3</sup> 8 4 <sup>3</sup> 4 18 21 <sup>1</sup> 2 21 18 <sup>3</sup> 4 6	25 <sub>8</sub> 127 <sub>8</sub> 32 21 <sup>1</sup> 6 64 47 <sub>8</sub> 18 18 14 21 <sup>3</sup> 8 110 10 <sup>1</sup> 3	4	Sigmaiden Silicm/Gp Silicm/Gp Simoson Solimilid SoftwareP Sonoco	0.05 13 23 0.40 12 17	115 1139 738 u 850 591	221 <sub>9</sub> 2 10 <sup>3</sup> 9 1 29 1 2 43 <sub>9</sub> 1	4 <sup>1</sup> 6 14, <sup>1</sup> 1 <sup>3</sup> 6 21 <sup>1</sup> 9 <sup>7</sup> 6 10 <sup>1</sup> 8 <sup>1</sup> 4 29 <sup>1</sup>	2 +16 2 +16 3 +16
8 E 1 B Baker J Bidwol, 8 Banctec BokSouth	0.06 7 480 0.24 4 365 10 1905	5% 5½ 1438 14 14	41g -1g 65g 634 +12	FatterMic Firster Firstrates Fisery Floor Int. FoodLA	0.56 8 1.04 10 94 23	254 uZ2 <sup>2</sup> 200 31 <sup>1</sup> 18 6 <sup>1</sup> 922 22 <sup>2</sup> 586 7 <sup>2</sup>	217 2 31 2 64 4 74 4 74	221 <sub>2</sub> 211 <sub>4</sub> 81 <sub>2</sub> 221 <sub>4</sub> 73	+ <sup>1</sup> 2 + <sup>1</sup> 4	Metamino Metamino Mentry Cp Mentry Mercant.B Mercant.B Mercant.B	0.24 21 0.20 10 0.24 24 0.80 11 0.80 12	87 0 5858 4 1995 1 603 1 2 74	8 <sup>3</sup> 4 8 25 <sup>1</sup> 2 21 13 13 121 <sup>1</sup> 4 26 30 <sup>1</sup> 4	14 23% 24 124	-14 -112 -58 +18 +14	Southest x Spiegel A St Audeled St PaulBc StcyBf Stoples	0.80 19 0.20 18 0.40 23 0.30 12	742 1103 9 3687 1850 1970 3424	21% 10% 1 38% 3 21% 2 1 ( 26 2	21 2 9% 10 <sup>3</sup> 74 371 15, 21, 15, 21, 15, 25	1 44 64 64 64 64 64 64 64 64 64 64 64 64
BenkersCP Bankmarth Benta Geo Besset F Beyttisk Bay View	0.48 10 33 0.92 10 133 0.96 13 714 0.80 16 125 3513240	1514 1518 1	514 25 15 <sub>8</sub> -8 <sub>8</sub> 814 114 -14	Foodt.B	0.09 17 2 1.08 13 6 6 1.04 11	2345 16 <sup>3</sup> 18 37 <sup>3</sup> 223 11 <sup>3</sup> 105 3	8 364 4 114 3 34 4 3212	558 3634 1114 312 33	**	Merisol Methode A MFS Coo Michaet F Mich Halis Microlith	0.12 13 0.20 25 2.20 (	531 500 3 1684 2 228	7 ( 14 <sup>1</sup> 4 ( 34 <sup>1</sup> 2 3 11 <sup>1</sup> 8 10	3 <sup>5</sup> 8 7	+14 -114 -158 +18 -24	State Str Std Micro Std Regia Steel Tec StoklyUSA Steel	0.72 10 0.06 13 0.20 6	1409 261 75 842 3 20	26% 2 18 1: 12 1: 53 : 19 adi	612 161	14 14 12 14 14 14 14 14 14 14 14 14 14 14 14 14
Beybanks BB&T Fin BE Aero Bestallerry BerkleyWR	0.42 16 3 21 156 0.44 21 307	1327 3119 64 657 1 134 813 1219 1214 1 38144344	35 -14	Fix Hawai Fuller HB FuttonFix Futon FutmedADI	1.18 11 0.58 15 0.68 12 0.34 17	98 26 116 34 56 18	4 264 4 33 <sup>1</sup> 2 4 164 4 21 <sup>3</sup> 4	26 <sup>1</sup> 4 34 <sup>1</sup> 4 18 <sup>5</sup> 8 22 <sup>1</sup> 8	4444	Microsga Microsom Microsots Microsis Microsis Microsis Microsis Microsis Microsis Microsis Microsis Microsis Microsis Microsots Microsom M	36 10 20	7 2141 7 1987 0 45 3 845 634497	9 <sup>3</sup> 4 1 10 <sup>1</sup> 8 1 6 <sup>5</sup> 8 1	93 <sub>0</sub> 9,7 94 10 81 <sub>8</sub> 63 <sub>6</sub> 81 <sub>2</sub> 83 <sub>4</sub> 91 <sub>2</sub> 593 <sub>4</sub> 91 <sub>2</sub> 21	444 34	StrawbrCl Structiby Stryker Stativento Stamitomol Stamit Bo Stramit Ta	0.36 25 20 0.80 25 20.84 25	7 2850 9 6667 0 72 6 6 3 6 448	1164 1 1164 1 125 19 <sup>5</sup> 8 1	11-2 2 6-4 6-1 12-2 43-1 5-4 15-1 25 2 9-8 19-1 19-1 28-1	14 +16 12 +78 14 14 14 14 14 14 14 14 14 14 14 14 14
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BuildersT Burr Brem BusinessR BuderMig	14 49 20 228	12 1 11 4 11 13 4 12 13 64 4 34 4 3	1 4 1 4 4	Goulds/mp Granito Granito Green AP Gressmans Grad Wir	0.80 23 33 0.20 12 0.20 13 38	524 22 <sup>1</sup> 303 463 16 <sup>3</sup> 15 120 <sup>3</sup> 419 2 <sup>1</sup>	4 21 12 4 3 4 4 19 12	22 <sup>1</sup> 4 4 19 <sup>1</sup> 2 19 <sup>1</sup> 4		NAC As Nash Frich Hat Compt Hera Sun Havigator NEC Nestcor	0.72 9 0.36209 0.20 18 6.00 7 0.42184	75 303 181 u 7 70	16 <sup>1</sup> 2 15 17 <sup>1</sup> 4 16 12 <sup>1</sup> 4 10 48	14, 31%, 15%, 15%, 12, 16%, 12, 12%, 10, 18, 48, 48, 12, 34%,	1	TechData Tecumeen Tekelec 1elco Sys TelCmA 1elebik	13 1,00 0 35 22 581 243	1888 14 357 556 15731	135 <sub>8</sub> 13 48 <sup>1</sup> 4 46 33 <sup>1</sup> 2 33 14 <sup>1</sup> 4 13 23 <sup>3</sup> 8 23	31 <sub>6</sub> 131 <sub>5</sub> 51 <sub>2</sub> 463 21 <sub>6</sub> 323 31 <sub>6</sub> 135 25 <sub>6</sub> 231 11 <sub>2</sub> 47	2 4 + 4 4 - 1 1 8 8 - 1 2 8 - 1 8
	19 175 1.04 14 66 n0.20 18 404	22 <sup>1</sup> g 21 <sup>1</sup> g 2 u5 <sup>2</sup> g 5 <sup>5</sup> g 3 27 <sup>1</sup> g 28 <sup>2</sup> g	55g 37 +14 14 +14	611 Corp GUNY Swg	14 1 25 1	831 12 <sup>3</sup> 732	8 83 <sub>9</sub>	1114	-34	Neestar Netwik Gen Netwiks Neurogen New Eas New Image	26 7 11 0.50 14	2265 2066 4310 394 1111	9 <sup>3</sup> 8 6 26 <sup>3</sup> 4 5 <sup>7</sup> 8 5 49 <sup>3</sup> 6 8 19 <sup>3</sup> 4 16 4 <sup>5</sup> 8 4	134 9/2 20 26 154 5/2 154 9/3 154 18/3 158 4/3		7ellebs 1ebon Cp 7etra 7ec TexaPhADA Three Com Tri 7.1 int.	0.01 34 43 0.21 20	321 2436 4400 8421 86	14 <sup>1</sup> 4 13 10 <sup>5</sup> 8010 26 <sup>5</sup> 8 25 49 <sup>5</sup> 8 46 5 <sup>3</sup> 8	10 10 10 10 10 10 10 10 10 10 10 10 10 1	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1
Calgerie Cal Micro Candelal. Cades Canori Inc Canonie	2.25 5 5978 24 257 7 202 0 174 0.53 63 31 44 110	7% 7% 33% 32% 33% 32% 32% 32% 32% 32% 32% 32	74 -4 24 -4 28 16 14 +14 14 -4	HarrisCrop HBO & Co Healthcar	0.16 42 21 4	4 24 <sup>1</sup> 240 10 <sup>1</sup> 527 15 <sup>3</sup> 590 36 <sup>1</sup> 582 3	8 24 <sup>1</sup> 8 2 16 <sup>1</sup> 4 4 14 <sup>3</sup> 4 4 35 <sup>3</sup> 8 3 31 4	18 <sup>1</sup> 2 · 14 <sup>1</sup> 4 · 39 · 31 <sup>1</sup> 2 ·	-1 -3 <sub>8</sub>	MbrdgeNet Mewprt Cp Noble Dri Mordson Mdstrm Norstan I N Star (In	0.04 22 0.84 21 0.40 19 12	355 91 4307 u 132 x	55 <sub>8</sub> 5 55 <sup>1</sup> 4653 45 <sup>1</sup> 4 44 19 <sup>1</sup> 2 18	3 732	+76	Tokon Med Tokyo Mar Tom Brown Topps Co TPI Enter TransWild	0.34 32 425 0.20 14 2 8	1543 1773 78	75 <sub>8</sub> 7 53 <sup>1</sup> 2 53 13 <sup>1</sup> 3 12 8 5 8 5 5 <sup>1</sup> 2 5	13 75 132 534 134 124 134 53 134 53 134 54	2 + 10 2 + 10 4 + 10 1 - 10
CartionCra Cascade x Casey S CCH A Ceigene CEM Cp Centocor	0.80 15 115 0.85 18 1154 0.70 24 38 4 148 18 28	154 15	514 15 18 + 14 51 <sub>9</sub> - 1 <sub>9</sub>	Healthchio Hechinger Heiden Helen Troy Herbil	23 1 23 1 2.16 17 1 18 11 0.58 7 2 0 15 19 1	029 12 <sup>1</sup> 156 10 <sup>1</sup> 33 18 <sup>3</sup> 022 12 <sup>1</sup>	2 9 2 12 <sup>5</sup> 8 4 9 <sup>1</sup> 4 4 18 <sup>1</sup> 4 4 11 <sup>3</sup> 8	9 <sup>1</sup> 2 12 <sup>3</sup> 9 9 <sup>3</sup> 4 18 <sup>3</sup> 5	+14		1.94 10 7 35 18 12	652 710133 518308 12571 130	34 <sup>1</sup> 2 22 <sup>1</sup> 4 22 30 <sup>3</sup> 5 19 52 <sup>1</sup> 4 50 6 <sup>1</sup> 4	34 34 <sup>1</sup> 8 14 22 <sup>1</sup> 2 14 20	+14	Treswick Tricare Trimble TrustcoBkC Teang Lab TycFdA	1.10 13	40 1654 38 733	7,7 2 18 <sup>3</sup> 6 13 18 <sup>3</sup> 4 19 6 <sup>5</sup> 6 8	14, 24, 17, 183 14, 194 14, 84	4 +½ 4 +½ 2 -%
Crief Fid Crief Spr Chandler Chapter 1 Chantle Chantle Chantle Chantle Chantle Chantle Chantle Chantle	0.58 8 346 0.09 10 3649 15 5	12 <sup>1</sup> 4 12 4 <sup>3</sup> 4 04 <sup>3</sup> 4 4 20 <sup>3</sup> 9 28 2 6 <sup>5</sup> 8 8 <sup>3</sup> 9 ( 12 <sup>3</sup> 4 12 <sup>3</sup> 4 12	ક્ષેત્રે +\ ક્ષેત્રું -\ત્રું ક્ષેત્ર	Hologic Home Bani Hombeck HometiRes Hunt JB	0.50 8 0.48 15 15 0.44 35 0.80 17	561 167 13 193 426 42 334 97 141 65 576 167	9 15 <sup>3</sup> 9 4 18 <sup>3</sup> 4 8 26 9 9 <sup>3</sup> 4 5 18 <sup>5</sup> 8	10% 19% 27% + 8% 8	-14 +18 +14	OCharleys Octei Com Odetics A	50	- O 702 u 4307	14 <sup>1</sup> 4 22 <sup>7</sup> 8	14 14 <sup>1</sup> 2 22 22 <sup>1</sup> 2 5 5 <sup>1</sup> 2		US Hather Unitab UCHIESES US 1:st	1.08 17 20 1.02 12 2.00 31	587 64 x	(3 4 4 1 4 3 18 4 15	76 1. 151	4
Chips&Te Chiron Cp Cins Fin Chiss Cp Circust.gc CiS Tech CiscoSes	22 1267 75 2229 1,36 14 130 0,20 20 682 17 7773 28 755	9% 6½ 8 62% 81%	15 -4 62 -5 15 -6 15 -6	Huntingto Hurco Co HulchTech Hycor Sie	11	63 4 <sup>1</sup> 459 29 <sup>1</sup> 124 4 <sup>3</sup>	4 d4 2 26 <sup>1</sup> 4	4	يد.	Officially Notices Notices Notices Notices Notices Notices Original Original Prices Notices No	1.20 5 1.52 11 1.24 9 0.92 15 1,12144	740 u 1068 38 826	32¾ 32 33¼ 32 315; 31 35 34	1 <sub>3</sub> 311 <sub>2</sub> 1 <sub>4</sub> 341 <sub>4</sub> 1 <sub>2</sub> 211 <sub>8</sub>	+14 +12 -16 -16	United St United United US Bancp US Energy UST Corp Utah Med	1.12 41	29 1298 / 2289 : 108 ( 1787 (	17 <sup>3</sup> 8 17 17 <sup>3</sup> 4 48 25 <sup>3</sup> 8 24 14 <sup>3</sup> 8 4	15 <sub>8</sub> 175 134 475 134 234 138 45	2 +4 2 +4 4 +5 2 +4
Ciz Bancp Clean Hisr Cliffs Dr Cletheston	1.12 12 6 26 13 72 2 66 105 1.00 17 44	26 25 <sup>1</sup> 2 4 <sup>1</sup> 8 3 <sup>3</sup> 4 3 12 <sup>1</sup> 4 12 <sup>1</sup> 4 12 3 <sup>1</sup> 8 2 <sup>7</sup> 8	26 +12 134 134 -18 13 134 +12	FR Sys IS Intel Immunoger Imperi Bc	46 10 1 50 1 1 0.40126	272 53 216 23 72 153	4 316 5 5 4 4 2 5 4 14 4	3¾ 5½ 2¼ 10		OracleS Orb Scrice Orbitsch OrchdSupp OrogonMot Oshap	39 65 0.96 21 24	13164 ti 827 1089 tr 20 506	48 <sup>1</sup> 2 45 18 <sup>3</sup> 4 17 12 <sup>5</sup> 8 8 7	å 4849 å 18å 12 13½	***	Und Telev Units	18	120	59 56 31 <sub>2</sub> 3	12 58 1 15 34	2 -1
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### Tobaccos fall in wake of lawsuit news

#### **Wall Street**

The major US stock indices shrugged off declines in bond and currency markets to post modest gains yesterday morning, writes Lisa Bransten in New York

At 1 pm the Dow Jones Industrial Average was up 9.76 at 3,963.30. The Standard & Poor's 500 had climbed 0.85 to 482.82 and the American Stock 0.39 to 447.99. The Nasdaq com-posite lost 1.30 at 785.67. Trading volume on the NYSE came

In morning trading the dollar continued to fall against the D-Mark, and the long bond was off an eighth of a point, yielding 7.593. The dollar did rise modestly against the Japa-

Uncertainty about monetary policy also added pressure. Last week the market set new records as company earnings came in generally better than expected and traders suggested that weak economic data might deter the Federal Reserve from raising interest

Mr Alan Greenspan, chairman of the Fed, was expected to address such issues in congressional testimony on monetary policy objectives to be delivered today.

Tobacco companies declined on the first day of trading after news that two lawsuits threatened the cigarette industry; on Friday a Louisiana judge cleared the way for a class action suit against the US tobacco companies and, yesterday, Florida filed suit, seeking damages from cigarette manufacturers for medical expenses incurred by the state in treating smoking related illnesses.

and RJR Nabisco \$1/4 at \$51/4. News of mergers and acquisttions affected the prices of several stocks. Shawmut National jumped 22 per cent, rising \$41/4 to \$25, after Fleet Financial announced that it would buy the Boston-based bank for \$3.7bn or \$30 a share. Fleet Financial dropped \$2% to \$30%

on the news. US Shoe lost \$1% et \$19% and Nine West was ahead \$1/4 at \$28 announced that they had ended negotiations for Nine West to buy US Shoe's footwear business.

In earnings-related activity, Home Depot shed \$1% to \$46% after the chain of bome improvement stores reported fourth-quarter earnings of 32 cents per share versus analysts expectations of 33 cents per sbare. Ann Taylor also reported earnings, of 35 cents per share, just one cent per share below analysts' expecta tions, but firmed \$% to \$32%.

#### Canada

Toronto stocks continued to ease at midday, with bonddriven gains in several sectors offset by sharply weaker gold shares. The TSE 300 index declined 5.6 to 4,101.0 in volume of 27.29m shares valued at C\$324.37m.

The precious metals index fell 111.16 to 8,758.53. Barrick Gold dropped C\$% to C\$30% in 476,230 shares traded, while Placer Dome lost C\$1/4 at C\$27% in 584,978,

Elsewhere, strength in Canadian bonds and a stable domestlc dollar spurred gains in eight of Toronto's 14 sub-indices although, overall, declines outpaced advances by 269 to

#### Mexico, Brazil easier

Mexican stocks were slightly easier in light early trade following news that the \$20bn US credit package had been

The IPC index was off 14.73 at 1.751.41 in turnover of 11.4m

affected by Monday's announcement of a rise in short-term interest rates.

per cent in volatile midday trade as a lack of fresh funds entering the market squeezed liquidity and prompted speculative selling. The Bovespa index lost 397 at 29,183 in turnover of R\$113.5m (\$134.8m).

	*	chunge in fac	of currency t		% change sterling †	% change in US \$ †
	1 Week	4 Weeks	1 Year	Start of 1984	Start of 1994	Start of 1984
Austria	+2.47	-0.54	-18.08	-17.73	-9.95	-4.07
Belgium	-0.22	+0.49	-11.02	-9.94	-0.21	+6.30
Denmark	-1.44	+1.64	-15.81	-8.99	-1.09	+5.36
Finland	-1.88	-3.59	+2.12	+21.17	+42.48	+51.78
France	-2.27	+1,14	-19.25	-17.97	-12.20	-6.47
Germany	-0.37	+2.66	-3.81	-8.04	-0.39	+6.11
Ireland	+0.04	+3.64	-0.85	+4.33	+8.78	+15.88
laśy	2.60	-1,36	-2.85	+8.95	88.8+	+15.96
Netherlands	-0.82	+1.22	-5.87	-2.79	+8.18	+13.11
Norway	-2.63	+0.90	-6.64	+3.48	+11.63	+18.81
Spain	-1.99	+1.81	-18.37	-12.97	-9.91	-4.03
Sweden	-1.78	+0.97	+0.85	+9.17	+16.29	+23.88
Switzerland	-1,31	+0.85	-13.91	-10.37	-0.75	+5.74
UK	-1.99	+1.46	-11.85	-10.87	-10. <del>0</del> 7	-5.06
EUROPE	-1.60	+1.26	-10.82	-9.17	-4.80	+1.42
Australia	+0.71	-0.86	-14.55	-12.15	-10.41	-4.56
Hong Kong	+0.93	+12.57	-25.30	-33.33	-37.44	-33.35
Japan	-1.81	-3.92	-9.97	-3.34	+3.86	+10.63
Malaysia	+2.85	+17.55	-5.79	-20.25	-21.03	-15.87
New Zealand	+2.05	+2.17	-8.84	-4.22	+1.29	+7.91
Singapore	+2.41	+6.04	-7.27	-13.64	-10.24	-4.39
Canada	-0.18	-0.21	-2.70	-1.53	-13.09	-7.42
USA	+0.08	+3.78	+3.20	+3.95	-2.41	+3.95
Mexico	-7.10	-11.47	-30.85	-25.85	-62.97	-60.56
South Africa	-2.46	-5.74	+2.41	+2.63	+8.25	+13.18

+0.74

FT-ACTUARIES WORLD INDICES

Vorway (23)

### Telmex L shares declined 29

per cent on arbitrage trading while the ADRs in New York

MARKETS IN PERSPECTIVE

nge la fac	of currency †		% change sterling †	% change in US \$ 1
4 Weeks	1 Year	Start of 1984	Start of 1984	Start of
-0.54	-18.08	-17.73	-9.95	-4.07
+0.49	-11.02	-9.94	-0.21	+6.30
+1.64	-15.81	-8.99	-1.09	+5.36
-3.59	+2.12	+21.17	+42.48	+51.78
+1.14	-19.25	-17.97	-12.20	-6.47
+2.66	-3.81	-8.04	-0.39	+6.11
+3.64	-0.85	+4.33	+8.78	+15.88
-1.36	-2.85	+8.95	88.8+	+15.96
+1.22	-5.87	-2.79	+8.18	+13.11
+0.90	-6.64	+3.48	+11.63	+18.81
+1.81	-18.37	-12.97	-9.91	-4.03
+0.97	+0.85	+9.17	+16.29	+23.88
+0.85	-13.91	-10.37	-0.75	+5.74
+1.46	-11.85	-10.87	-10.67	-5.06
+1.26	-10.82	-9.17	-4.80	+1.42
-0.86	-14.55	-12.15	-10.41	-4.56
+12.57	-25.30	-33.33	-37.44	-33.35
-3.92	-9.97	-3.34	+3.86	+10.63
+17.55	-5.79	-20.25	-21.03	-15.87
+2.17	-8.84	-4.22	+1.29	+7.91
+6.04	-7.27	-13.64	-10.24	-4.39
-0.21	-2.70	-1.53	-13.09	-7.42
0.20	2.00	0.00	-0.00	7,72

-8.17 -4.03 -3.67 +2.62

SAO PAULO was down 13

	% change to facul currency †				% change sterling †	% change In US \$ 1
	1 Week	4 Wigold	1 Year	Start of 1984	Start of 1994	Start of 1984
Austria	+2.47	-0.54	-18.08	-17.73	-9.95	-4.07
Belgium	-0.22	+0.49	-11.02	-9.94	-0.21	+6.30
Denmark	-1.44	+1.64	-15.81	-8.99	-1.09	+5.36
Finland	-1.88	-3.59	+2.12	+21.17	+42.48	+51.78
France	-2.27	+1,14	-19.25	-17.97	-12.20	-6.47
Germany	-0.37	+2.66	-3.81	-8.04	-0.39	+6.11
Ireland	+0.04	+3.64	-0.85	+4.33	+8.78	+15.68
haly	2.60	-1,36	-2.85	+8.95	88.8+	+15.96
Netherlands	-0.82	+1.22	-5.87	-2.79	+8.18	+13.11
Norway	-2.63	+0.90	-6.64	+3.48	+11.63	+18.81
Spain	-1.99	+1.81	-18.37	-12.97	-9.91	-4.03
Sweden	-1.78	+0.97	+0.85	+9.17	+16.29	+23.88
Switzerland	-1.31	+0.85	-13.91	-10.37	-0.75	+5.74
UK	-1,99	+1.46	-11.85	-10.87	-10.67	-5.06
EUROPE	-1.60	+1.26	-10.82	-9.17	-4.80	+1.42
Australia	+0.71	-0.86	-14.55	-12.15	-10.41	-4.56
Hong Kong	+0.93	+12.57	-25.30	-33.33	-37.44	-33.35
Japan	-1.81	-3.92	-9.97	-3.34	+3.86	+10.63
Malaysia	+2.85	+17.55	-5.79	-20.25	-21.03	-15.87
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Singapore	+2.41	+6.04	-7.27	-13.64	-10.24	-4.39
Canada	-0.18	-0.21	-2.70	-1.53	-13.09	-7.42
USA	+0.08	+3.78	+3.20	+3.95	-2.41	+3.95
Mexico	-7.10	-11,47	-30.85	-25.85	-62.97	-60.56
South Africa	-2.46	-5.74	+2.41	+2.63	+8.25	+13.18

# Milan shaken by higher than expected inflation

seemed to do little for bourses. some of which seemed preoccupied with their own concerns, writes Our Markets Staff.

MILAN was sbaken by higher than expected inflation data for February and a weak lira. The Comit index dipped 12.51 or 2 per cent to 641.80, while the real-time Mibtel index lost 166 at 10 262

The market showed little reaction to an announcement from the government that the mini-budget might be ready for publication by Friday at the

Among the banks, Bonfiche Siele again bucked the trend, adding L235 at L34,350, following the bid by Banca di Roma, off L20 at L1,600. Banca Nazlonale dell'Agricultura, the Bonfiche subsidiary, recovered L113 to L2.517. Elsewhere, Fiat declined

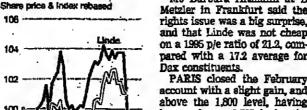
to L1,830 and Pirelli shed L59 to 1.2.270. In telecoms. Telecom Italia dipped L132 to L4,255 and Stet L113 to L4,880. FRANKFURT lost a few points in the morning, the Dax index closing 4.50 lower on the

L120 to L6,335. Olivetti fell L47

session at 2,097.04 as dealers balanced the currency effect on export earnings with a lack of

for-five rights issue.

Ms Barbara Altmann at B



pressure on the sell side. In the afternoon there was a short upturn, the Ibis indicated Dax peaking at 2,107.25 on an improving dollar, the hope that Wall Street would open higher. and a little short-covering. But the recovery was fragile, and the index ended 0.15 easier at 2.101.82. Turnover increased from DM4.1bn to DM5.2bn.

There was only one big cor-porate story on the day. Linde, one of Europe's biggest producers of warehouse lift trucks. dropped DM42 or 4.5 per cent to DM892 on the session after

Metzler in Frankfurt said the rights issue was a big surprise. and that Linde was not cheap on a 1995 p/e ratio of 21.2, compared with a 17.2 average for

account with a slight gain, and above the 1,800 level, having been as low as 1.787 during the session. The CAC-40 index improved 3.38 to 1,805.62 in turnover of some FFr4bn. The market's mood was

clouded by a new opinion poll which showed that presidential election support for Mr Edouard Balladur, the prime minister, had fallen sharply. Mr Balladur's credibility had been affected following his admission at the weekend that his office had authorised telephone tapping.

Among the main stocks, Seita was again the most beavily traded as institutions sought to build up positions, but the shares finished unchanged at FFr133. Among second liners, Fili-pacchi Medias, the publisher,

tumbled nearly 8 per cent, by FFr65 to FFr772, after a bro-AMSTERDAM fielded satis-

FT-SE Actuaries Share Indices THE EUROPEAN SERIES 13-00 14.00 15.00 Clos Hourly changes Open 10.30 11.90 12.00

FT-SE Servinot 100 1310.7Z 1309.98 1309.89 1309.05 1309.15 1309.69 1310.58 1309.97 FT-SE Servinot 200 1354.85 1354.84 1354.26 1355.05 1354.85 1365.73 1362.25 1367.32 Feb 1S Feb 15 Feb 14 Peb 20 Pub 17 1343.63 1394.10 1329.52 1363.56 1214.92 1322.05 Base 1005 (26/16/95; Mahley; 100 - 13/1,28; 200

factory results from Unflever. Polygram and Oce-van der Grinten, but dropped the share prices of all three as the AEX index rose 0.09 to 410.12.

Unilever, initially unsettled by a large write-off for its controversial Persil/Omo Power detergent range, fell Fl 1.60 to F196.80, missing the recovery in London later which saw the figures as solid, satisfactory and unexciting. Polygram, the Philips subsid-

iary, fell 30 cents to F184 on profit-taking following its 20 per cent rise in profits, while Oce, the photocopier group, lost 90 cents at F1 86.10 for the same reason, the impact of a 45 per cent rise in profits dulled by an unchanged dividend.

ZURICH saw Roche certificates up SFr50 to SFr6.800 on foreign bnying at the same to SFr1,048, ahead of Friday's 1994 results. The SMI index closed 12.7 higher at 2,609.9.

Below the top echelon, EMS Chemie climbed SFr115 or 3.2 per cent to SFr3,765 in moderate volume, but on what dealers said was buying by several banks. Kuoni rose SFr2,000 or 5.7 per cent to SFr37,000 on the buyback of 50.1 per cent of the travel group's stock previously held by Kaufhof, the German

OSLO took a second beating following the Norsk Hydro results. Hydro reported record profits on Monday but this left the shares down NKr8 on the day, and another NKr8 lower yesterday at NKr250, taking the All-share index down by 8.20 or 1.3 per cent to 630.09. Merrill Lynch yesterday

regraded the group, Norway's

largest industrial company, as

aggressive one, citing possible lower aluminium prices in the second half of 1995 as e reason THE HEAD

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for its downgrading. ISTANBUL continued to rally, mainly on buying by domestic institutions. The composite index ended at a new all-time high of 29,149.32, up 119.26, although turnover shrank to TL5,700bn from

TL7,680bn There appeared to be two main reasons for the market's drive ahead over the last 10 sessions, said Mr Stuart Harley of Schroders in London: first, interest rates were beginning to be reduced; and, secondly, there was confidence that inflation would fall this year. The market could encounter a problem breaking through the 30,000 barrier, he added.

WARSAW tumbled in high volume in a nervous reaction to the central bank's increase in official interest rates, the discount rate from 28 to 31 per cent and the Lombard from 31 to 34 per cent. The Wig index fell 322.4 or 4.9 per cent to 6.277.2 as turnover jumped by 133 per cent to 49.4m zlotys.

Written and edited by William

### Hong Kong rebounds 2.2% on hopes for land auction

Equities in Hong Kong rebounded from Monday's fail as optimism grew about the outcome of today's land auction, while fears also receded about the possible consequences of the weekend arrest of the head of the Sbougang

The Hang Seng index rose 175.55 or 2.2 per cent to 8,082.29, erasing Monday's 136point loss. Turnover increased to HK\$2.9bn from HK\$2.07bn.

Most investors were reassured that the Shougang affair would not affect other Chinesereleted companies after the Belling authorities clarified the position, saying that Mr Zhou Beifang had been detained for questions to do with his peronal, rather than corporate,

Shougang group shares resumed trading, having been suspended for one session: Shougang Concord International and Shougang Grand declined 13 cents apiece to HK\$1.55 and HK\$1.15.

Pive lots of government land were to be auctioned today and analysts said they expected a good response from developers, compared with recent auctions where some plots had been withdrawn because of a lack of

In the real estate sector, SHK Properties put on HK\$1.90 at HK\$49. Cheung Kong HK\$1 at HK\$32.20 and Henderson Land HK\$2.20 at HK\$38.50.

#### Tokyo

Arbitrage linked buying helped share prices, and the Nikkei 225 everage recovered to close bove the 18,000 level, writes Emiko Terozono in Tokyo.

The index improved 139.77 to 18,096.25 after a day's low of 17,946.57 and high of 18,194.50. Stock prices, which gained as

small-lot buying orders and index linked purchases propped the Nikkei in the morning, saw further support in the afternoon on arbitrage

buving.

Volume rose to 341m shares. from 27/m, on cross trading, or the selling and buying back of holdings to realise profits, by corporate investors. Aside from such trading and arbitrage activity, most investors remained on the sidelines, concerned about fluctuations in

the currency market. The Topix index of all first section stocks firmed 6.67 to 1,402.24 and the Nikkei 300 picked up 1.35 to 257.56. Rises led falls by 576 to 404, with 201 issues unchanged, in London the ISE/Nikkei 50 index edged up 2.72 to 1,145.57.

Although arbitrage huying was a positive influence on the day, traders remained jittery over the increase in long cash arhitrage positions against stock index futures, totalling 1.4bn shares last week. "The market will be vulnerable to swings on the futures market," said a Japanese broker.

High-technology stocks, which had been sold off last week, regained ground. Sony advanced Y30 to Y4,430 and TDK by Y60 to Y4,090. Heavy electricals were also higher, with NEC up Y7 to Y931.

on cross trading. Hachijuni Bank, the most active issue of the day, rose Y20 to Y1,190, Joyo Bank added Y15 et Y785 and Higashi Nippon Bank remained at Y771.

Prospects of stable earnings

supported drug companies. Takeda Chemical Industries climbed Y30 to Y1,160 and Sankyo Y60 to Y2.230. Privatisation stocks were mixed. Nippon Telegraph and

#### S Africa slips from day's highs

149.62 98.19 123.26 166.63 109.36 137.34 162.64 106.56 133.91 112.01 73.36 92.15 118.26 77.48 97.30 125.25 144.73 154.82 101.43 127.38 139.89 91.71 115.17 306.77 200.99 252.40 201.89 132.25 166.08 74.83 49.02 51.56 135.43 88.73 111.43 306.70 325.16 885.93 560.43 728.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.80 174.90 211.85 138.34 234.00 125.80 82.42 103.50 226.83 149.92 188.27 155.26 104.35 131.05 141.99 92.96 116.74 183.14 119.99 150.68 183.71 121.57 152.78

180,82 170,09 111,44 171,98 161,78 105,89 233,05 219,23 143,83 152,26 143,23 93,54 160,38 150,87 98,84 182,87 181,53 118,93 155,69 146,45 95,95 233,49 219,65 143,81 160,56 151,04 98,96 169,34 159,30 104,37 187,92 176,77 115,81

ing which there were reports thet the country's dual exchange rate system could

Mr Chris Stals, governor of the Reserve Bank, said that the abolition of the financial

Gras Div. Yield

4.06 1.19 4.24 1.36 2.72 1.53 0.86 3.25 3.39 1.68 1.73 1.95 1.93 1.94 4.37 1.84 2.84 4.38 4.28 4.28 4.28 4.28 4.28

2.83 3.15 1.54 1.24 2.09 2.85 2.51 3.28 2.11 2.18 2.98

159.26 177.25 177.25 118.07 125.71 250.16 187.00 164.58 148.81 326.11 274.58 497.64 941.78 225.21 77.22 213.61 302.35 133.73 249.25 133.73 249.25 133.73 150.84 194.41

Equities closed off the day's rand was now in the hands of highs after a quiet session durthe country's politicians. the country's politicians.

A percentage point rise in interest rates to 14 per cent had been discounted. The overall index lost a net 5.9 at 5,101.8, industrials gained 10.2

at 6,281.9 and the gold shares index shed 14.4 to 1,566.6.

to Y716,000 while Japan Tobacco lost Y3,000 at Y864,000. East Japan Railway gained Y10,000 at Y439,000. Construction shares were

sold, with the sector losing 0.19 on the day. Daisue Construction, the Osaka based contractor which rallied following last month's earthquake, retreated Y16 to Y618 and Ando fell Y19 to Y556. Pudo Construction

dipped Y10 to Y1,050. In Osaka, the OSE average moved up 92.26 to 19,838.32 in volume of 123.8m shares. Exporters were bought back, with Rohm appreciating Y70 to Y3,420 and Murata Manufacturing Y70 to Y3,070.

#### Roundup

A mixture of performances characterised the region's markets yesterday. KUALA LUMPUR receded 1.6 per cent in what traders described as a technical correction from recent high le The composite index shed 15.40 to 971.10 in turnover down to M\$762.9m from M\$1.45hm.

Tenaga Nasional relinquished 10 cents at M\$10 and Genting 90 cents at M\$22.50. SINGAPORE was unsettled by renewed selling of blue chips in light trading. The Straits Times Industrial index fell 11.64 to 2,105.14, in volume

estimated at 130m shares. Brokers said declines in shipbuilders led the market lower, Keppel lost 20 cents at S\$11.10, while Sembawang Shipyard eased 10 cents to \$\$10.30 and Far East Levingston receded 20

cents to S\$6.10. Property issues remained weak as retail investors unwound long positions due to worries over the prospects for the sector, Singapore Land fell

40 cents to \$\$8.10 and DBS Land lost 4 cents at \$\$3.64. **BOMBAY** saw a combination of sustained selling pressure from retail investors and a lack of support from local mutual funds, and the BSE 30-share

cent to a 52-week low of 3,280.83. Early in the day, dealers had also blamed selling by Umt Trust of India, the country's biggest mutual fund, for the weakness in the market. BSE jobbers also raised their spreads in selective ahares to

index dropped 75.90 or 2.26 per

gain a temporary respite from COLOMBO continued its downward career, still talking about the next support level of 750 as the all-share index fell 15.15 or 1.8 per cent to 811.61.

Turnover expanded from Rs25.28m to Rs47.20m. Domestic institutions, selective buyers of fundamentally

strong situations, were more heavily on the selling side as they rationalised their portfolios ahead of March 31.

BANGKOK was subjected to light profit-taking in leaders and some buying interest in small-capitalisation stocks as the SET index shed 8.68 to 1,288.31 in moderate turnover

of Bt4.45bn. TelecomAsia, which topped the active list, pulled the index with a fall of Bt2 to Bt88.50 in 5.3m shares dealt. A tranche of 25m, originally offered to staff at Bt10 a share, was admitted

to trading vesterday. WELLINGTON'S NZSE 40 index fell 7.54 to 1,982.91 after weakness in leading forestry stocks, Carter Holt Harvey slip ping 8 cents to NZ\$3.50 with some large parcels traded, and Fletcher Challenge losing 3 cents at NZ\$3.90 in advance of today's interim report.

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